Environment and Water

Annual Report
2011-2012

Alberta

Environment and Water

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

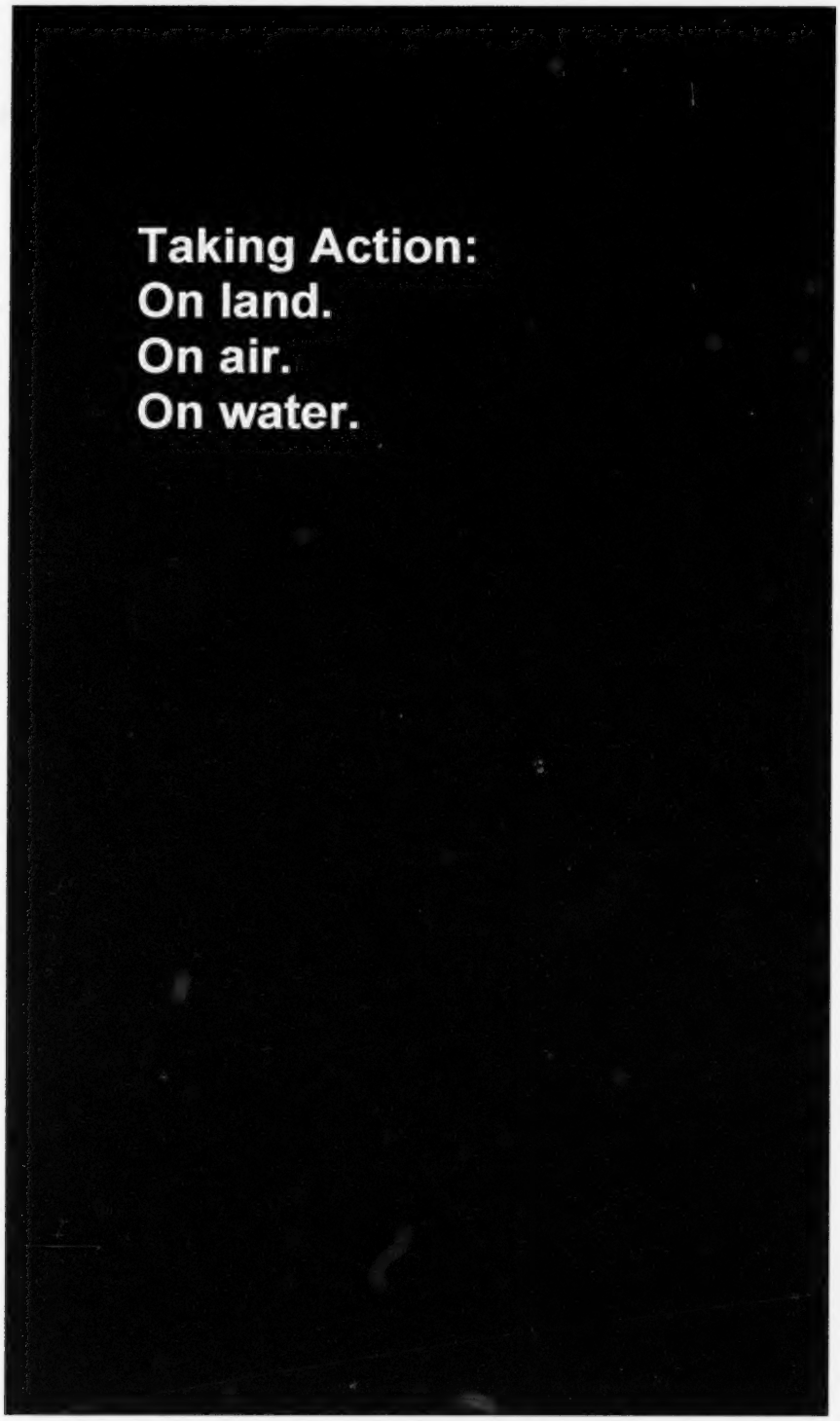
On October 12, 2011, the government announced new ministry structures. The 2011-12 ministry annual reports and financial statements are based on the new ministry structure.

The October 12, 2011 Ministry of Environment and Water is comprised of the department, the Environmental Appeals Board and the Climate Change and Emissions Management Fund, formerly with the Ministry of Environment.

This annual report of the Ministry of Environment and Water contains the minister's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- **The financial statements of entities making up the ministry including the Department of Environment and Water and the Climate Change and Emissions Management Fund for which the minister is responsible.**
- **Other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report.**
- **Financial information relating to the Environmental Protection Security Fund.**

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministries of Environment and Water and Sustainable Resource Development were consolidated and renamed Environment and Sustainable Resource Development. This most recent restructuring will be reflected in the 2012-13 Ministry Annual Report.


Taking Action:
On land.
On air.
On water.

Environment and Water turned 40 in 2011-12.

Forty years ago, when Alberta created this ministry, the province was clearly ahead of the times. No other province had taken this bold step of creating an environment ministry. However, Alberta decided to show leadership and take action. Over the years, we continued to stay out in front, developing some of the most progressive policies and regulatory acts in Canada.

In 1973, we passed the *Land Surface Conservation and Reclamation Act*, the first land reclamation act in Canada. At the same time, we started a program to certify water and wastewater treatment plant operators and protect our water supply.

In the 1980s, we became the first province to create an environmental education program — a program that spawned similar efforts across Canada and in the U.S. In 1993, we passed the country's first comprehensive environmental act, a forward-looking piece of legislation known as the *Environmental Protection and Enhancement Act*.

We followed that legislation with the *Water Act*, again the first of its kind in Canada. Before that act, water legislation looked only at licensing the water supply, not at ensuring both quality and quantity.

In 2002, we released Canada's first comprehensive action plan to deal with climate change. It set out key directions aimed at helping government, industry and Albertans to take action to reduce greenhouse gas emissions.

In 2003, we created *Water for Life*, a strategy that had a profound and far-reaching effect on water policy and management decisions in Alberta.

In 2003, we passed Alberta's *Climate Change and Emissions Management Act*, the only legislation in Canada to deal specifically with climate change. Alberta became the first jurisdiction in North America to require large industrial facilities to reduce greenhouse gas emissions. In 2008, we renewed the strategy, building on the 2002 act.

In 2011-12, we continued to play a leadership role, taking a place-based, cumulative effects management approach to all our work.

When Albertans first created a department of the environment, the ministry worked to control pollution of land, air and water. Today, we see the connections and work to manage the whole. We consider all the activity together and then determine its impact on our natural resources.

And we are not just thinking about today. We are using state-of-art tools to monitor the environment, map the connectivity and project into the future to see how today's activity will impact air, forests, waterways and animal life many years from now.

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2012, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 15, 2012, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Original signed by
Honourable Diana McQueen
Minister of Environment and Sustainable Resource Development

Message from the Minister

Albertans are blessed to live in a province rich in natural beauty. We recognize that we must be responsible stewards of our land, air and water and therefore have worked hard to ensure our activities leave our natural resources in a state of healthy renewal. Our efforts have resulted in reclaimed land, safe and plentiful water, clean air and well preserved natural resources.

Forty years ago, Environment and Water became the first environment department in Canada. Albertans understood we needed to preserve and protect natural resources. Over the next four decades, Alberta established environmental legislation and regulations, leading the country in environmental education, land reclamation, water management, environmental impact assessment and cumulative effects management.

In 2011-12, we continued to take the lead and build on our legacy. We took action in the oil sands to build a system that will improve monitoring and deliver scientifically credible data.

We have been helping to build a modern regulatory system that will create cohesion, so industry, stakeholders and governments will work under a single set of regulations. When oil and gas or coal development moves ahead, strong environmental policies will provide clear direction.

In each region of the province, a new vision is emerging. The *Land-use Framework* asks Albertans to describe the desired social, economic and environmental outcomes for each of the seven land-use areas. The ministry has been a partner in that work.

We have been in constant conversation with Albertans, listening, applying what we hear and then reporting back through various means, including this annual report.

In May 2012, the Government of Alberta brought together Environment and Water and Sustainable Resource Development to create the new ministry, Environment and Sustainable Resource Development. Today, there is increasing passion for the environment and a new urgency to take action so Albertans have a clean and healthy environment now and in the future. This new ministry will strengthen our ability to take action on land, air, water and biodiversity and will ensure we continue to give Albertans outstanding environmental leadership.

Original signed by
Honourable Diana McQueen
Minister of Environment and Sustainable Resource Development

Management's Responsibility for Reporting

The Ministry of Environment and Water includes the department, the Environmental Appeals Board and the Climate Change and Emissions Management Fund.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Environment and Water. Under the direction of the minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability - information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability - the performance measure methodologies and results are presented clearly.
- Comparability - the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness - goals, performance measures and related targets match those included in the ministry's budget 2011.

As deputy minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance and the Minister of Environment and Water information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executive of the individual entities within the ministry.

Original signed by
Dana Woodworth
Deputy Minister of Environment and Sustainable Resource Development
June 15, 2012

Ministry Overview

The Ministry of Environment and Water consists of the department, the Environmental Appeals Board and the Climate Change and Emissions Management Fund. The ministry's budget includes funding for the Environmental Appeals Board, a quasi-judicial board, which is accountable directly to the minister. In addition, three delegated administrative organizations, which contribute other environmental outcomes regarding waste, are accountable to the minister but operate outside government and have independent financial management and business plans. They are the Alberta Recycling Management Authority, the Beverage Container Management Board and the Alberta Used Oil Management Association.

The ministry's authority to carry out its mandate is primarily based on the *Environmental Protection and Enhancement Act*, the *Water Act* and the *Climate Change and Emissions Management Act*.

In May 2012, the government announced new ministry structures. This ministry overview is based on the former structure in place on March 31, 2012.

Environmental Appeals Board

Justice Delmar Perras (ret.), Chair

The Environmental Appeals Board is a quasi-judicial board that operates at arm's length from Environment and Water and reports directly to the Minister of Environment and Water. Consistent with the principles of natural justice, the Environmental Appeals Board provides fair, impartial and efficient resolution of appeals that are received under the *Environmental Protection and Enhancement Act*, the *Water Act*, the *Climate Change and Emissions Management Act* and the *Government Organization Act*. The board's preferred method of resolving appeals is mediation. However in most cases, when an appeal proceeds to a hearing, it provides recommendations to the minister, who makes the final decision. On preliminary matters and in certain types of appeals, the board makes the final decision. The Environmental Appeals Board issues its own annual report.

Environment and Water

Ernie Hui, Deputy Minister

Environment and Water oversees policies and initiatives associated with air quality, water management, waste management, environmental emergencies, land reclamation and climate change. Environment and Water manages the provincial environmental regulatory process and develops cumulative effects management criteria. The department supports and directs environmental emergency management in cooperation with partners and coordinates public education on conservation and environmental protection. Environment and Water is also responsible for environmental monitoring and compliance programs to enforce Alberta's environmental legislation and regulations. The department is organized into five main business divisions: Corporate, Monitoring and Science, Operations, Policy and Strategy. These divisions are supported by the Communications Branch and Legal Services.

Department Divisions

Corporate

Tom Davis, Acting Assistant Deputy Minister

Corporate division serves Environment and Water and the Government of Alberta. It provides strategic leadership for departmental processes and approaches, manages the corporation effectively and efficiently and advances the department's strategic agenda within the Alberta Public Service. It mobilizes the department's people, resources and corporate systems to achieve the ministry's strategic intent, and it leads internal communications and staff engagement.

Monitoring and Science

Bob Barraclough, Assistant Deputy Minister

Monitoring and Science division deals with the scientific and technical evidence that informs us whether our intended environmental outcomes are being met. This division leads and supports all aspects of environmental monitoring, evaluation and science support functions. It is the catalyst for the creation of a knowledge and performance management system that can support policy design, development, implementation and evaluation. It supports the work of the department at all levels and is integrated with all components of the cumulative effects management system.

Operations

Rick Brown, Assistant Deputy Minister

Operations division uses place-based knowledge to deliver policy, plans and frameworks. It delivers, in an integrated manner, the department's overall programs, regulatory responsibilities and non-regulatory activities. These include issuing pollution prevention and control approvals for industrial and municipal operations, managing the environmental assessment review process and leading the department's compliance assurance program. It develops and maintains regional partnerships in support of achieving environmental outcomes. It plans, develops, operates and maintains provincial water management infrastructure in support of meeting environmental objectives. It also provides effective environmental emergency management through planning, response and crisis management.

Policy

Shannon Flint, Assistant Deputy Minister

Policy division designs and develops environmental policy that aligns with the strategic intent of the Government of Alberta. This division understands the nuances on the ground, in the air and at the watershed, so each policy becomes a welcome instrument to shape approvals, licences and other decisions.

Strategy

Beverly Yee, Assistant Deputy Minister

Strategy division sets direction to achieve the department's strategic intent. It provides system oversight and ensures the department's collective actions align with the Government of Alberta's vision and priorities. The division builds relationships and engages Albertans to set and achieve shared outcomes, and coordinates the development and implementation of strategies such as *Water for Life*.

Department Support Areas

Communications Branch

Mark Cooper, Director

The Communications branch provides the ministry with the resources to build open communication between the ministry and Albertans. The branch provides a range of communications support to department initiatives, programs and services. It also works in partnership with government ministries, other orders of government and community and industry organizations to plan, publicize and execute key events and initiatives. Communications provides support for strategic and newsworthy department actions and serves as a media spokesperson for the ministry on emerging issues.

Legal Services

Darin Stepaniuk, Director

Legal Services are primarily provided to the ministry by the Environmental Law section of Justice. The Environmental Law section supports the ministry by providing timely, effective advice to the minister and all levels of the ministry using a corporate counsel model. The director of the Environmental Law Section is a member of the ministry's executive committee and is the ministry's senior legal adviser. The ministry's legal services are shared with Sustainable Resource Development and the Parks Division of Tourism, Parks and Recreation.

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measure identified as "Reviewed by Auditor General" in the Ministry of Environment and Water's 2011-12 Annual Report. The reviewed performance measure is the responsibility of the ministry and is prepared based on the following criteria:

- Reliability - information used in applying performance measure methodology agrees with underlying source data for the current and prior years' results.
- Understandability - the performance measure methodology and results are presented clearly.
- Comparability - the methodology for performance measure preparation is applied consistently for the current and prior years' results.
- Completeness – the goal, performance measure and related target match those included in the ministry's Budget 2011.

My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measure. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measure in demonstrating ministry progress towards the related goal.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measure in the ministry's 2011-12 Annual Report is not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability and completeness as described above.

Original signed by
Merwan N. Saher, FCA
Auditor General
April 2, 2012
Edmonton, Alberta

Performance measure reviewed by the Auditor General is noted with an asterisk (*)
on the Performance Measures Summary Table

Performance Measures Summary Table

Core Business/Goal/Performance Measure(s)	Prior Years' Actuals					Target	Current Actual
1. Environmental outcomes and objectives are established with Albertans, communities, government and industry							
1.a Place-based Environmental Management Objectives – Measures the percentage of the province (by area) that has established place-based environmental management objectives.	Under Development						
2. Albertans, communities, governments and industry work together to achieve identified environmental outcomes							
2.a** Municipal Solid Waste to Landfills – Measures Alberta's progress toward reducing the amount of municipal solid waste disposed of in landfills as measured in kilograms of waste per capita.	838 kg per capita (2007)	841 kg per capita (2008)	757 kg per capita (2009)	738 kg per capita (2010)	700 kg per capita	738 kg per capita (2011)	
2.b* Personal Engagement Indicator – Measures the percentage of Albertans who describe themselves as actively engaged in energy, waste or water conservation. Energy Conservation Waste Conservation Water Conservation		87% 87% 83% (2008)	87% 90% 84% (2009)	90% 90% 85% (2010)	90% 90% 86%	86% 88% 84% (2011)	
3. Alberta has effective risk-based policies, processes and infrastructure to achieve identified environmental outcomes							
3.a** River Water Quality Index – Measures the water quality of six major Alberta rivers at key sites, based on data on four groups of variables (metals, bacteria, nutrients and pesticides), which are averaged to provide an overall water quality rating.	Five out of six river systems have good to excellent water quality (2006-07)	Five out of six river systems have good to excellent water quality (2007-08)	Six out of six river systems have good to excellent water quality (2008-09)	Five out of six river systems have good to excellent water quality (2009-10)	Six out of six river systems have good to excellent water quality	Five out of six river systems have good to excellent water quality (2010-11)	
3.b Air Quality Index[1] – Measures the quality of Alberta's air based on five major pollutants: carbon monoxide, nitrogen dioxide, ozone, sulphur dioxide and fine particulate matter.				Good air quality days 93% of the time (2010)	-	Good air quality days 95% of the time (2011)	

Performance Measures Summary Table

Core Business/Goal/Performance Measure(s)		Prior Years' Actuals			Target	Current Actual
3.c	Total Greenhouse Gas Emissions – Measures the success in meeting the greenhouse gas emissions growth targets measured in million tonnes of CO_2 equivalent, as outlined in *Alberta's 2008 Climate Change Strategy*.	247 (2007)	244 (2008)	234 (2009)	246	233 (2010)
	Drinking Water Safety Indicator[2] Facility Design Standards – Measures the percentage of facilities required to meet newer performance standards (1997 or 2006, as applicable).	85% (2007-08)	87% (2008-09)	90% (2009-10	92% (2010-11)	94%	93% (2011-12)
3.d	Facility Operational Requirements – Measures the percentage of facilities in compliance with regulatory requirements that prevent water quality incidents.	90% (2007)	94% (2008)	88% (2009)	95% (2010)	-	94% (2011)
	Drinking Water Quality Incidents – Measures the percentage of facilities with no significant drinking water quality incidents.	93% (2007)	94% (2008)	95% (2009)	96% (2010)	-	96% (2011)

Notes:

1 The methodology has been enhanced and therefore results are no longer comparable to the target or historical results prior to 2010.

2 The methodology for Facility Operational Requirements and Drinking Water Quality Incidents has been enhanced, and therefore results are no longer comparable to the target. Historical results have been restated under the new methodology.

*** Indicates Performance Measures that have been reviewed by the Office of the Auditor General.**

The performance measures indicated with an asterisk were selected for review by ministry management based on the following criteria established by government:

- Enduring measures that best represent the goal and mandated initiatives,
- Measures for which new data are available, and
- Measures that have well established methodology.

****Indicates Performance Measures also included in Measuring Up 2011-12 under goal three. Data were audited by the Auditor General for the following years as indicated in the *Measuring Up* Auditors' Report:**

1 Municipal Solid Waste to Landfills – 2009, 2010 and 2011

2 River Water Quality Index – 2008-09, 2009-10 and 2010-11

For more detailed information, see Performance Measure Data Sources and Methodology Section on page 38.

For changes to performance measures see Changes to Performance Measures Information on page 45.

Discussion and Analysis of Results

The 2011-12 fiscal period was a significant year for Alberta. Programs initiated years or even decades ago continue to protect our land, air and water.

Alberta was one of the first jurisdictions in Canada and the U.S. to create environmental education programs. Today, we still see the benefits of those programs with close to 90 per cent of Albertans describing themselves as actively engaged in energy, waste or water conservation.

Building on Alberta's passion and commitment for the environment, we continue to encourage Albertans to take individual action through recycling initiatives, rebate programs and grants. Programs such as *Environment Week* and *Too Good to Waste* keep the environment message front and centre, so Albertans of all ages remember to think about the environment. Through a rebate grant program, Climate Change Central processed applications for 24 hybrid taxis. This increase in hybrid taxis should reduce greenhouse gas emissions by two and a half kilotonnes and save one million litres of gasoline over the lifetime of the taxis.

While each of us does our part, municipal, provincial and private recycling programs steadily reduce the amount of waste going to landfills. Other programs keep our air clean and ensure our drinking water is some of the purest in the world. The *Working Well Program* gives property owners the knowledge to ensure their water supply is safe, while improved standards for water treatment facilities have led to upgrades and fewer incidents that could compromise our water supply.

Water for Life has helped stakeholder groups take action to protect watersheds, and *Alberta's Climate Change Strategy* continues to reduce greenhouse gas emissions.

These ongoing programs are the workhorses of our environmental health. At the same time, new strategies anticipate the pressures that come with growth and the world's increasing demand for energy.

The Air Quality Health Index now reports hourly and gauges air quality in a growing number of Alberta communities. Alberta is also leading a national Air Quality Management System that will give Canadians more information and more input.

We are improving our ability to manage development through expanded and integrated monitoring and reporting systems. We are also updating our regulatory system, creating a new system with consistent policies and processes. We are introducing new technologies and tools to share data, often in real time.

While individual Albertans continue to recycle, save energy and use less water, Environment and Water has been looking to the future and taking action by creating sophisticated environmental management tools to protect our land, air and water.

Tools for shared planning and action

Early in the ministry's history, staff saw that human activity had a cumulative effect on the land, air and water. This was a new way of thinking, and there were very few tools in place to measure or regulate cumulative effects.

Today, there is widespread understanding that everything we do adds up and that the impact of today's activities can be far reaching. Albertans, communities, governments and industry are coming together to develop shared outcomes and to plan activities to achieve our social, economic and environmental goals.

The central tool for this shared planning is the *Land-use Framework*, where seven regional plans will set outcomes and objectives for each region in the province. Environment and Water has been an integral partner in working towards completing these plans.

Each plan begins with preliminary work, such as modelling and state-of-the-environment reports. Plans one and two — the Lower Athabasca Regional Plan and the South Saskatchewan Regional Plan — have already completed this preliminary work. During 2011-12, Environment and Water worked with the Land Use Secretariat on preliminary work for the third plan, the North Saskatchewan Regional Plan.

Shared environmental outcomes and objectives emerge through conversations, and for each regional plan, the Government of Alberta appoints a Regional Advisory Council — people with expertise and experience in the region. The Regional Advisory Council formulates a vision and recommendations, which become the basis for public, shared conversations. These are important and essential conversations, because the plans lay out a 10-year strategic direction for each region.

To develop the Lower Athabasca Regional Plan, the Government of Alberta engaged approximately 10,000 Albertans over two years, people such as stakeholders, the general public, Aboriginal peoples and municipal governments. In April 2011, the Government of Alberta released the draft plan, held additional public consultations and then in August released an updated plan, which is working through the government process.

The Regional Advisory Council for the South Saskatchewan Regional Plan put forth its recommendations last year. In May 2011, the Land Use Secretariat released the South Saskatchewan Regional Plan public consultation workbook. Stakeholders had until April 30, 2012, to complete the workbook and provide input into the regional plan.

Other tools nest within the *Land-use Framework*. They include management frameworks, which describe outcomes for a specific area within a region. Management frameworks are a new approach to managing cumulative effects, and the department is now developing frameworks for multiple geographic scales, from small areas to large. The frameworks support decision-making and planning and provide direction for science, modelling and the management of growth pressures.

Environment and Water has been leading the implementation of two management frameworks in the Lower Athabasca Region for air quality and surface-water quality and will also update the surface-water quantity management framework.

As with the larger regional plans, management frameworks rely on a shared understanding. Stakeholders must be part of developing and implementing the frameworks. Environment and Water has been working to finalize and implement a comprehensive air quality management framework for the Capital Region, where a cumulative effects management system has been in place since 2010. Modelled after the Lower Athabasca Region's air quality management framework, the framework brings together many Capital Region conversations on air quality. In 2011, Environment and Water held approximately 25 forums in the Capital Region.

Environment and Water staff drafted a surface water quality management framework for the Bow, Milk, Oldman and South Saskatchewan rivers in the South Saskatchewan Region. This framework helps to protect and maintain water quality and supports the *Water for Life* goals.

Other 2011-12 accomplishments under Goal 1 include:

- In partnership with external experts and five other ministries, Environment and Water led the Ecosystem Services Approach Pilot on Wetlands. Ecosystem services are the benefits ecosystems provide us, such as recreation, habitats for biodiversity, carbon storage, flood control and water purification. The pilot took place in the greater Shepard Slough area and tested whether the approach could improve and inform the wetland approvals process. So far, the approach appears to strengthen decision-making and our understanding of cumulative effects. The pilot is one of the mid-steps in a 10-year plan. In Germany in 2012, the ecosystem services pilot team presented its findings at a United Nations conference.
- Environment and Water recently wrapped up the Cumulative Effects Land Management Pilot. This cross-ministry pilot began in 2010 in northwestern Alberta. It involved a simulated cumulative effects approach to a sub-regional planning exercise for shale gas development. The project tested a Structured Decision-Making tool to determine if the tool could provide the structure and rigour to guide future land management and land-use planning decisions. The team concluded it could and is working to bring the tool into wider use within the department to support decision-making within the cumulative effects management system.
- The department is also developing interim regional loading targets for the North Saskatchewan River at Pakan, Alberta, and is completing phase two of the engineering feasibility study in the Capital Region. The study will examine centralized and decentralized water and wastewater management scenario options.
- In November 2011, the ministry collaborated with Alberta Geological Surveys to produce the Edmonton-Calgary Corridor Groundwater Atlas. Available in print and electronically, the atlas is an educational document that shows the results of the groundwater inventory the ministry and Alberta Geological Surveys have been working on for the past three years. The atlas contains information about the geology of the corridor as well as the groundwater quality and location of aquifers. The atlas offers access to data and information that will assist stakeholders in making informed water-use decisions. The ministry will use the data collected in the groundwater inventory to take a cumulative effects approach to allocating and licensing groundwater.

A Priceless Ecosystem

Ecosystem services are the benefits people derive from nature. Wetlands, for example, act like sponges, storing and slowly releasing precipitation. They also supply water, recreation, educational opportunities and more.

In 2010, Environment and Water began the Ecosystem Services Approach Pilot on Wetlands, as part of a 10-year Road Map for Ecosystem Services in Alberta.

The pilot aimed to assess the benefits society derives from wetlands. It focused on a specific area, the greater Shepard Slough, which is a wetland encompassing the east part of the City of Calgary and Rocky View County where there is tension between development and wetland conservation.

The pilot was also an opportunity to refine decision-making. Society makes trade-offs, often without realizing it. When we drain, fill or degrade a wetland, for example, we may be bumping our water treatment costs or creating water shortages. We may also be losing out on potential tourism or recreation opportunities.

The pilot project brought together 44 people, including Government of Alberta staff, the public and world-wide experts, who used a variety of data sources, including satellite imagery, government databases, experiential knowledge, Internet resources and numerous scientific reports and literature.

Environment and Water and municipal approvals staff (Rocky View County and City of Calgary) believe that ecosystem services assessments can use qualitative or quantitative data to help identify functions and values of individual wetlands. Ecosystem services assessments can give decision-makers a tool to understand what an individual wetland contributes locally and at other scales. Understanding this will lead to better management of these wetlands.

In the context of supporting cumulative effects management and regional planning, feedback from approvals staff suggested that ecosystem services will help build knowledge over time. The hope is to understand how wetland ecosystem services link together with other decisions made in the watershed and the subsequent implications for decision-making.

The pilot is a stepping-stone in a longer journey. Understanding and implementing a comprehensive ecosystem services approach takes time. The pilot, which concluded in fall 2011, is an integral step toward this. Applying the qualitative and quantitative information produced by the pilot to decision-making will help lead Alberta to move to a more holistic approach in cumulative effects management.

Gillian Kerr, Ecosystem Services Program Manager, recognizes that the pilot is only part of the realization of the role and input that ecosystem services information can create to inform cumulative effects management. "This is not a silver bullet. We're not going to solve all the issues of why people don't understand why the environment's important or how their personal well-being is linked to our ecosystems," she says. "We're positioning this in the cumulative effects management world as a tool that provides incremental, useful and new information that right now we don't have, providing decision-makers with more information."

Goal 1 Performance Measure

1a. *Place-based Environmental Management Objectives* – Under development

The place-based Environmental Management Objectives measure the percentage of the province (by area) that has established place-based environmental management objectives.

GOAL 2

Albertans, communities, governments and industry work together to achieve identified environmental outcomes

Environment and Water Business Plan 2011-14

The knowledge to take the right environmental actions

Environment and Water has always been in the business of monitoring and reporting. Our early labs tested for pollutants in water samples, while other instruments measured air and soil quality. Today however, there is a new capacity for monitoring. We can monitor in real time and evaluate data to produce knowledge that is reliable, credible and scientific. We also have the capacity to share data and knowledge, so Albertans, communities, governments and industry can work together like never before to achieve environmental outcomes.

During 2011-12, Environment and Water strengthened its capacity to acquire and evaluate data, as well as its ability to report and openly share information. The department is bringing together the various monitoring networks, so monitoring becomes integrated provincewide. The goal is to help build an environmental knowledge system with integrated monitoring, evaluation and reporting. The system would provide open and transparent information on environmental conditions and pressures.

During 2011-12, Environment and Water supported the Alberta Environment and Water Monitoring Panel, a government-appointed panel that developed recommendations on how to create such a system. Until the panel released its final report in June 2011, Environment and Water provided research, context, internal coordination and logistics. The ministry then analyzed the recommendations and helped explore ways to govern the new system.

In 2011-12, the department created two branches within its new Monitoring and Science division. The branches worked on key projects, including an Enterprise Data Management Strategy, the Central Modelling Office and the Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring.

The Enterprise Data Management Framework will introduce common data standards, policies and data governance across the department to assure and maintain data integrity and quality. The Central Modelling Office, established in August 2011, will continuously analyze and test existing models, approve new models and act as the ministry's source for modelling advice. This office is setting up a network of external experts from across the province, who will provide external perspectives, advice and assistance as needed. Through the Central Modelling Office, the ministry's work can become more open, transparent and inclusive of the scientific community.

With the Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring, the Government of Alberta is collaborating with the federal government to implement a three-year environmental monitoring program in the oil sands region. The first stage is set to begin in the spring 2012, with increased sampling frequency, parameters and locations.

In 2009, the Government of Alberta released *Responsible Actions: A Plan for Alberta's Oil Sands*. This 20-year strategic plan addresses environmental, social and economic issues and opportunities in the oil sands regions. About 40 per cent of the plan's objectives are targeted for completion in 2012. The work of Environment and Water is contributing significantly to this success.

Other 2011-12 accomplishments under Goal 2 include:

- Environment and Water launched the Oil Sands Information Portal in November 2011. The portal is a comprehensive online resource where the public can go for detailed information on the environmental performance of Alberta's oil sands activities, including data on water use, greenhouse gas emissions and land disturbance and reclamation. It contains two components — an interactive map for key information on oil sands projects in near real time or as reported, and a data library for detailed reports and data downloads. The portal is a first to compile oil sands data from a variety of sources into one location.
- Environment and Water developed an Enterprise Data Management Strategy to create a ministry-wide approach to collecting, storing and accessing environmental data (land, air, water and biodiversity data). This strategy supports informed decision-making, so we can better achieve environmental outcomes.
- The department completed phase two of a data inventory project that tested elements of the Enterprise Data Management Strategy. Environment and Water expanded a set of standards for metadata and published the results on GeoDiscover, a website that gives the public search access to geospatial information and Government of Alberta data.
- The department developed a data management program office and associated governance for the Enterprise Data Management Framework. It was implemented in spring 2012.
- The department developed the Enterprise Data Warehouse, a repository to store and retrieve data for analysis and reporting. The warehouse is now a trusted source of environmental data for Albertans. This initiative closely aligns with the Enterprise Data Management work, which also supports the Government of Alberta's move to open data.
- The Oil Sands Information Portal uses the Enterprise Data Warehouse extensively. The department loaded initial datasets into the Enterprise Data Warehouse to support the development of the portal and established automated processes to keep each dataset up to date. The aggregate values, as well as the drill down and download capabilities within the Oil Sands Information Portal map, all draw from the Enterprise Data Warehouse.
- Environment and Water is currently expanding the datasets within the Enterprise Data Warehouse to include groundwater datasets, the Alberta Water Well Information Database, the Baseline Water Well Testing data, the Observation Well Network data and Water Quality data.
- In 2011-12, the department began developing an Environmental Evaluation and Reporting Framework. The framework defines the guiding principles behind the department's evaluation and reporting functions. It outlines an Enterprise System, which connects the evaluation and reporting functions across the divisions. The framework also sets out a long-term road map for the Enterprise System.
- The Government of Alberta is developing an energy efficiency policy framework and action plan, which will make Alberta the national leader in energy efficiency and sustainability. The framework and action plan for energy efficiency are expected to be completed by the end of 2012, and pending approval, implementation will begin in 2013.

- In April 2009, Environment and Water launched the three-year Alberta Energy Efficiency Residential Rebate Program. The program encouraged Albertans to invest in energy efficient home upgrades, such as high efficiency furnaces and hot water systems, front-loading washing machines, home insulation, home energy audits and new homes. Since the launch of the program, more than 169,000 rebates upgrades — worth approximately $96.94 million — have been issued to Albertans who have invested in energy efficient upgrades. This will help prevent more than 1.6 million tonnes of greenhouse gas emissions from entering the atmosphere over the 20-year-life of the program.
- Between 2010 and 2011, the department launched the Light It Right energy efficiency incentive program, which offered commercial businesses lighting assessments and incentives for installing energy efficient lighting. Trucks of Tomorrow encouraged commercial fleet operators to install energy efficient devices, such as aerodynamic aids, auxiliary power units and anti-idling devices, to their vehicles.

Shared Data

A few years ago, a quick oil sands Internet search often turned up conflicting information. There was no single resource for objective, accurate oil sands information. Recognizing this, Environment and Water set out to make a fact-based website for oil sands data and information.

The result is a one-of-a-kind Oil Sands Information Portal, which went public in November 2011. Alberta is the first fossil fuel-producing jurisdiction to launch such a comprehensive resource for public access.

The Oil Sands Information Portal is unique in that users can get accurate, up-to-date information in one location, instead of searching through various sources that could be inaccurate or outdated. Much of the data are available in real-time, although historical data are also available for comparison and to demonstrate trends. Similar to an oil sands-specific version of Google Maps, users can scroll around on a map, pick a specific oil sands project or region and select from a range of environmental information, from tailings ponds and greenhouse gases to climate change and water. The portal even directs users to other websites should they want more context on a project or company.

To determine what data to include on the Oil Sands Information Portal, the department compiled common questions and information requests from over the years. It then developed a list of public data needs and went about finding datasets to meet those needs. Datasets and information came from multiple sources, including the Energy Resources Conservation Board, Energy, Sustainable Resource Development, Tourism, Parks and Recreation, the federal government, external monitoring groups and the department. From there, it was a matter of building the most comprehensive, easy-to-use site possible.

When the department opened the site to the public, the public immediately embraced it. The Pembina Institute voiced its support, as did the Oil Sands Research and Information Network and many others. Schools from elementary to post-secondary have used the portal for instruction and assignments.

Part of what makes it a remarkable tool is that anyone can use it for any purpose and get as much detail as requested. If school teachers simply want to show their class the location of Syncrude, they can use the portal. If a university professor wants to know the amount of land disturbed and reclaimed by a certain mining operation, he or she can find it on the Oil Sands Information Portal. It is even possible to develop unique data trends, as much of the information is available for download. Anyone can reuse the data for his or her own purposes.

Thanks to user feedback, the department continues to improve and update the site. The Oil Sands Information Portal is unlike anything before — a single online resource containing oil sands environmental information that is easily searchable and accessible to anyone.

Taking Action Together

Around 1:00 p.m. on Saturday, May 14, 2011, a resident spotted a fire just southwest of Slave Lake. A second report came through around 5:30 p.m., this time only eight kilometres east of town. Fire crews struggled to contain the two fires, but by noon on Sunday, the winds gusted to more than 70 kilometres per hour, and the fires were out of control.

Christina Winarski, Environmental Protection Officer, was in the middle of the action at the Emergency Operations Centre, answering frantic calls from residents asking if their houses were still standing. Other callers offered help, supplies and donations. Volunteers constructed a 200-person camp to house the RCMP and firefighters during their shifts.

"Some evacuees repeatedly called my emergency line," says Christina. "They had nowhere to stay, because their houses had burned down, and they wanted to help." Twenty-seven evacuees volunteered to help cook and serve food in the college cafeteria, make beds and change sheets.

As the flames travelled northwest Sunday afternoon, communities west of Slave Lake evacuated. Around 4:00 p.m., a third fire began, but crews were able to contain it easily. Shortly after, winds picked up to 100 kilometres an hour. The fire to the east advanced again towards Slave Lake, while the extreme wind forced the water bombers to the ground.

Then, everyone's worst fear came true. The fires burned into Slave Lake. Access in and out of the area was closed off, electricity and water shut down, and residents could not tune in to the local radio station, which had been consumed by fire.

"The fire was throwing what they call brands out from the edges of the forest, which landed on decks and started houses on fire," explains Martin Bundred, a member of Environment and Water's Support and Emergency Response Team.

"The town had not been evacuated," says Christina. "People were running and driving through the smoke, while fire brands were hitting the hoods of their cars."

On the other side of the municipal district, the first fire rapidly approached Widewater and the surrounding communities west of Slave Lake. The RCMP evacuated those hiding in their homes, kicking in doors to get residents out safely, while their own homes were burning down elsewhere.

At that point, Slave Lake and the surrounding area declared a State of Local Emergency and the Provincial Operations Centre was activated to its highest level. Representatives or consequence management officers were called in from each ministry to attend conference calls with the Emergency Operations Centre in Slave Lake. Those on the phone from Slave Lake explained what they needed, and the representatives went back to their ministries to make it happen.

The water distribution system was the first issue Environment and Water staff tackled. The system had holes in it, and water was flowing freely. "Then, the potability of the water was an issue," explains Martin. "Environment and Water drinking water inspectors and a regional engineer stepped in to provide the town with technical advice and repeated sampling of the distribution system until the water was deemed safe.

The next steps to clean up the area included ash testing, removal and disposal, air monitoring by our Mobile Air Monitoring Lab and eventually a huge soil and water sampling program by Northern Region staff. Greg Carter, Director of Environment and Water's Support and Emergency Response Team, led a

cross-government team to provide Government of Alberta support to reception centres and their evacuees, and to move evacuees from centres back to their homes. Colin Blair, Director of Regional Integration, worked with the three levels of government to develop a community re-entry plan and set the conditions for recovery.

One of the biggest challenges was managing the waste and debris. "Over 4,000 freezers were brought out of homes and taken to the landfill," Christina says. "We had to take out the R22 gas, which is an ozone-depleting substance. That was a whole project on its own." The landfill manager Tom Moore handled it, along with the recycling of metal, concrete and cars. Environment and Water offered up technical assistance from Tom Trimble and Al Underschultz, Environmental Protection Officers, along with the City of Edmonton's waste guru, Jim Lapp, a former Environment and Water employee.

"There are so many other people from Environment and Water who had big roles in this event who deserve recognition. Like our Communications group, for one," says Martin. Many Environment and Water staff helped dispose of waste, review air monitoring data and sample the soil and water to ensure the environment was safe for the residents to return to their community. We are still learning about staff contributions a year later.

Goal 2 Performance Measures

2a. Municipal Solid Waste to Landfills

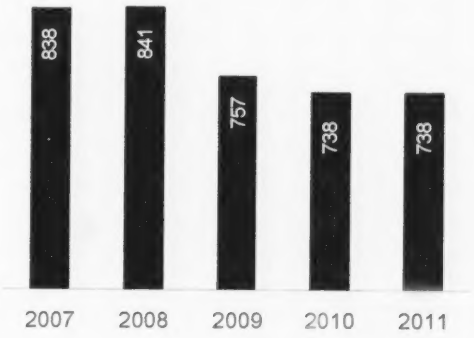
The amount of municipal solid waste sent to landfills indicates Alberta's progress toward reducing the annual amount of municipal solid waste disposed of in landfills as measured in kilograms of waste per capita per year.

Target

- 700 kilograms per capita

Figure 1

Municipal Solid Waste to Landfills
(kilograms per capita)



Results Analysis

Municipal solid waste disposed of in landfills remained constant at 738 kilograms per capita in 2011. A number of factors can influence this measure including government or private sector waste reduction initiatives and the overall state of Alberta's economy. Innovative approaches will be necessary in the coming years to reduce the amount of waste disposed of in Alberta landfills, particularly on high volume waste streams such as organics, packaging and printed materials, and construction and demolition waste.

2b. Personal Engagement Indicator

Personal Engagement Indicator measures the percentage of Albertans who describe themselves as actively engaged in energy, waste or water conservation.

Target

- Energy Conservation: 90 per cent
- Waste Conservation: 90 per cent
- Water Conservation: 86 per cent

Figure 2

Energy Conservation
(percentage of Albertans
who describe themselves
as actively engaged)

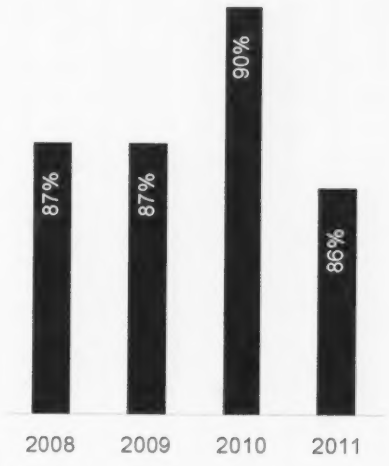


Figure 3

Waste Conservation
(percentage of Albertans
who describe themselves
as actively engaged)

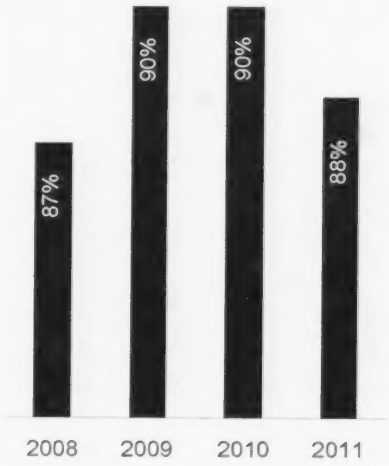
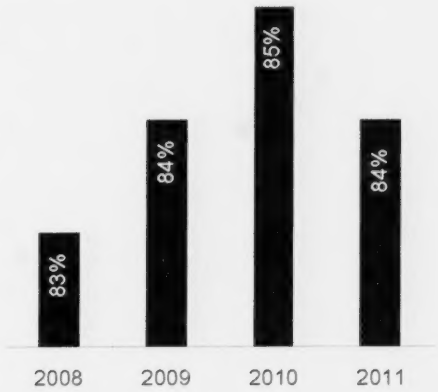


Figure 4

Water Conservation
(percentage of Albertans
who describe themselves
as actively engaged)



Results Analysis

In 2011, there was an overall decrease in the percentage of Albertans describing themselves as actively engaged in energy, waste and water conservation. The 86 per cent of Albertans who described themselves as actively engaged in energy conservation was less than the 90 per cent level achieved in 2010. The results may be due to the Energy Efficiency Rebate Program entering into the last year and limited media coverage and initiatives being launched in 2011.

GOAL 3

Alberta has effective risk-based policies, processes and infrastructure to achieve identified environmental outcomes

Environment and Water Business Plan 2011-14

Actions that affect the air we breathe, the water we drink and the energy we use

Environment and Water participated in the Conference of the Parties (COP) 17, the United Nations Climate Change Conference in Durban, South Africa.

Countries from around the world approved a roadmap towards an accord, which for the first time would bring all major emitters of greenhouse gases under a single legal framework. The countries agreed to negotiate the treaty by 2015. The pact would then become operational in 2020, making it the first international treaty to bind all emitters legally.

Also, four emerging economies — Brazil, South Africa, India and China — agreed that by 2020 their emissions would be subject to targets, and that those countries would negotiate their entry into a future pact.

COP 17 was an opportunity to demonstrate that Alberta is a leading jurisdiction with a strong regulatory framework. COP 17 and the international interest in climate change underscore the need to continue to take action and the importance of environmental policies, process and regulatory infrastructure.

Alberta's oil sands are a key economic driver for the province and the country. Locally, provincially, nationally and internationally, people want assurance that the resource is being developed responsibly.

During 2011-12, the ministry contributed significantly to the Regulatory Enhancement Project. In March 2010, the report *Energizing Investment: A Framework to Improve Alberta's Natural Gas and Conventional Oil Competitiveness* set out a series of actions to improve Alberta's regulatory system for energy resource development. *Energizing Investment* also created a Regulatory Enhancement Task Force to oversee the actions and provide recommendations for improving the regulatory system.

In January 2011, the Government of Alberta accepted the task force recommendations. Of the six recommendations, two became a priority. The first was to establish a new Policy Management Office to ensure the integration of natural resource policies and provide an interface between policy development and policy assurance. The second was to establish a single regulatory body with responsibility for all regulatory functions associated with upstream oil and gas, oil sands and coal. The new body will issue authorizations, approvals and licences for these energy activities. It will also be responsible for all compliance associated with those approvals. It should integrate all regulatory activities and ensure Government of Alberta policy informs and directs all its processes.

During 2011-12, the ministry helped to establish the Policy Management Office and develop the new regulatory body and accompanying legislation.

Other 2011-12 accomplishments under Goal 3 include:

- Environment and Water, along with Energy and the Energy Resources Conservation Board, worked towards establishing a draft Tailings Management Framework for the mineable oil sands over the past year. The framework will provide guidance on managing tailings to provide assurance that fluid fine tailings will be reclaimed in a timely manner and that legacy (current) inventories of tailings will be reduced.
- During the 2011-12 year, the ministry played a lead role working with stakeholders and federal, provincial and territorial governments to develop a new national Air Quality Management System for Canada. The system addresses all sources of pollution and features more stringent ambient air standards, place-based air quality management and new Base Level Industrial Emission Requirements. This work is being undertaken in the Canadian Council of Ministers of the Environment Forum. On June 28, 2011, Minister Diana McQueen assumed the role of president of the council. She will preside at a council meeting later in 2012 when the system is reviewed and approved.
- Environment and Water collaborated with Health and Wellness, Environment Canada and Health Canada to develop the Air Quality Health Index, which was launched in Alberta in July 2011. This new system assigns a number value to air quality and also includes health messaging for the general public and at-risk populations regarding exposure to outdoor air. The Weather Network and the Environment and Water and Environment Canada websites report the Air Quality Health Index hourly.
- Minister Diana McQueen chaired a task force involving Albertans on the topic of property rights. The task force held a number of stakeholder meetings and open houses in December and January. A website where Albertans can provide written input was developed.
- The department re-launched the *Water for Life* website in May 2011, with a new design focusing on the *Water for Life* action plan. The website highlights new and relevant information related to projects and actions under the action plan.
- The *Water for Life Progress Report* was released January 2012. The report covers the period from December 2008 to March 2011 and highlights a selection of the activities, programs and tools being pursued under the *Water for Life* strategy.
- Also under the *Water for Life* strategy, the department designated the Mighty Peace Watershed Alliance as the official Watershed Planning and Advisory Council for the Peace/Slave river basin. Now all major watersheds in Alberta have a Watershed Planning and Advisory Council.
- In the past year, the department helped deliver 23 Working Well Workshops across the province, teaching well owners about proper well management. This includes proper siting, construction, operation, maintenance and monitoring of water wells. The *Working Well Program* is a collaboration between municipal, provincial and federal government departments.

- In 2011, Environment and Water approved a risk management policy and established a team of 25 risk advisers. Risk management informs environmental management and ensures the highest priorities receive the necessary resources. Risk advisers work in all areas of the department and dedicate 10 per cent of their time to learning and implementing risk management within their branch. The risk management governance team provides executive oversight and helps ensure the entire department has risk management capacity and support, uses a consistent risk management approach and manages risks appropriately. Environment and Water's Integrated Risk Management team is one of the leaders in risk management within the Government of Alberta.
- In May 2011, a member of the Integrated Risk Management team participated in a Canadian International Development Agency funded program, teaching risk management to the public service in Ghana. A delegation of Ghanaians then came to Alberta to learn, among other things, how our department is working to embed risk management at all levels.
- In 2011-12, the department has been involved in major regional and federal-level climate change adaptation initiatives that aim at increasing adaptation management knowledge, as well as building policy-making capacity. A key initiative is the Prairie Regional Adaptation Collaborative, a partnership co-funded project with the federal government that involves Alberta, Saskatchewan and Manitoba.
- In 2011, 106 regulated facilities reduced their emissions by 3.6 million tonnes—2.5 million tonnes due to co-generation, a more efficient way of generating heat and power. Since 2007, the *Climate Change and Emissions Management Act* and the accompanying *Specified Gas Emitters Regulation* have required facilities that emit more than 100,000 tonnes of greenhouse gases to reduce their emissions by 12 per cent off an approved baseline. Companies can come into compliance by making their facilities more efficient, purchasing and submitting carbon credits and Emission Performance Credits or contributing $15 per tonne into the Climate Change and Emissions Management Fund. During 2011-12, the fund collected $55.4 million, which the Climate Change and Emissions Management Corporation, an independent, arm's-length organization, will invest in climate change initiatives, projects and technologies. For 2011 compliance, facilities submitted 5.3 million tonnes of offset credits and 1.0 million tonnes of Emissions Performance Credits.

Breathing Fresh Air

Across Canada, provincial and municipal governments are switching to a new system called the Air Quality Health Index, developed by Environment Canada and Health Canada. Alberta launched the Air Quality Health Index in July 2011, with several modifications that make the system more suited to Alberta's environmental needs.

The system works by converting measurements of air pollutants from monitoring stations into numeric values representing the air quality in different communities. These values are reflected on a scale of one to 10+, from low risk to very high risk. In Alberta, these numbers are reported hourly on the Weather Network and on the Environment and Sustainable Resource Development and Environment Canada websites.

One of the advantages of the Air Quality Health Index is that it includes health messaging to make it more relevant to Canadians. Environment Canada and Health Canada's studies identified fine particulate matter, ozone and nitrogen dioxide — the three pollutants the index measures — as being the air pollutants primarily associated with cardiac and respiratory health problems.

Instead of just reporting a number, the Air Quality Health Index includes messaging for the general public and at-risk populations regarding exposure to outdoor air. If the air quality is low risk, it will recommend everyone enjoy their regular outdoor activities, while if it's moderate or high risk, it might recommend those at-risk limit their outdoor activities. It also recommends that individuals determine the index level at which they experience symptoms and adjust their activities accordingly.

Another key advantage to the index is the forecast component. For many communities, the Air Quality Health Index is forecasted for the current day and evening and for the following day. This gives Albertans the ability to plan their activities.

Alberta adapted the Air Quality Health Index model slightly before implementing it in July, by adopting special trumping capabilities. The index can be slow to respond to major changes in air quality, even though air quality is reported every hour, because the formula relies on a three-hour rolling average. "If you have forest fire smoke coming into the city of Edmonton, the index – the way it is right now – may not reflect that until two or three hours after the event has occurred," says Bob Myrick, Senior Air Policy Manager. "You might see smoke outside and the index says the air quality is good or low risk."

If Alberta's hourly data reports show pollutant levels greater than Alberta's Air Quality Objectives, then the department will increase the value of the Air Quality Health Index accordingly. The index site also includes odour and visibility notifications. The odour and visibility messaging is based on hydrogen sulphide or total reduced sulphur, sulphur dioxide and fine particulate matter levels.

To help communicate this new tool to Albertans, the department worked with Health and Wellness, airsheds and other environmental and health organizations.

Goal 3 Performance Measures

3a. *River Water Quality Index*

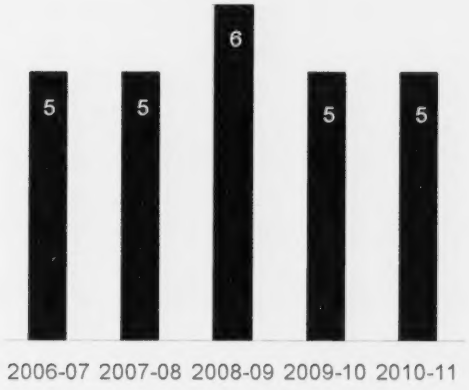
The River Water Quality Index measures the water quality of six major Alberta rivers at key sites, based on data on four groups of variables (metals, bacteria, nutrients and pesticides), which are combined to provide an indication of overall water quality.

Target

- Six out of six rivers systems have good to excellent water quality

Figure 5

River Water Quality Index
(good to excellent water quality)



Results Analysis

In 2010-11, five out of six river systems assessed as part of the Alberta River Water Quality Index demonstrated good to excellent water quality. This is slightly below the target. Various natural and human factors, including flow volume, degree of development in the basin, point source effluent discharges and non-point source runoff (e.g., from agricultural fields) can influence the River Water Quality Index. In July of 2010, stream flow in the Red Deer River increased in response to significant rainfall in the basin. This period of precipitation likely contributed non-point source runoff to the river, leading to an increase in the number and magnitude of water quality guideline exceedances. This resulted in a lower River Water Quality Index rating at the downstream monitoring station.

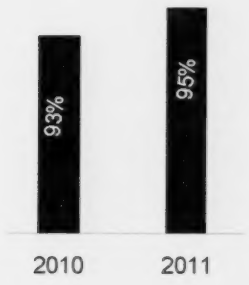
The Alberta River Water Quality Index examines a very broad range of water quality parameters, many of which tend to fluctuate over time. Hence, a small level of inter-annual variability in index ratings is expected and typically observed.

3b. Air Quality Index[1]

The Air Quality Index measures the quality of Alberta's air based on five major pollutants: carbon monoxide, nitrogen dioxide, ozone, sulphur dioxide and fine particulate matter.

Figure 6

Air Quality Index
(percentage of good days)



Note:
1 The methodology has been enhanced (new monitoring instrumentation which better accounts for fine particulate matter concentration), therefore results are no longer comparable to the target or historical results prior to 2010.

Results Analysis

In 2011, Alberta had good air quality days occurring 95 per cent of the time which is a two percent increase from 2010. The results reflect less frequent wintertime smog and forest fire activity. The results also reflect the new monitoring technology implemented at air monitoring stations across Alberta, which better accounts for total fine particulate matter concentration. The initiative is part of the improvements being made to the National Air Pollution Surveillance network that are being implemented across Canada. Air quality is influenced by a number of factors including vehicle emissions, weather patterns, wildfires and intensity of industrial development.

3c. *Total Greenhouse Gas Emissions*

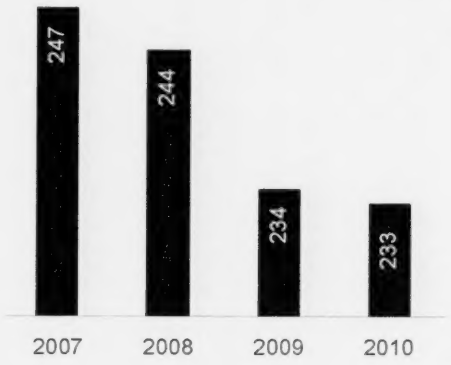
This performance measure tracks the success in meeting the greenhouse gas emissions growth targets measured in million tonnes of CO_2 equivalent, as outlined in *Alberta's 2008 Climate Change Strategy*. The growth targets take into consideration the impact of the strategy and are lower than was forecasted to occur in the absence of the strategy.

Target

- 246 million tonnes

Figure 7

Total Greenhouse Gas Emissions
(million tonnes)



Results Analysis

The results for 2010 reflect improvement over the target. This is largely due to the economic slowdown experienced across many industrial sectors in the province. Key factors contributing to the more recent decrease in emissions include a slowdown in conventional oil and gas activity.

3d. *Drinking Water Safety Indicator*

The Drinking Water Safety Indicator measures the ability of regulated facilities to provide safe drinking water to Albertans. This indicator measures the success of Alberta's drinking water program, ensuring Albertans will continue to enjoy safe drinking water. The indicator is comprised of three sub-measures that measure the performance of the program:

Facility Design Standards

The percentage of facilities required to meet newer performance standards (1997 or 2006, as applicable)

Facility Operational Requirements

The percentage of facilities in compliance with regulatory requirements that prevent water quality incidents

Drinking Water Quality Incidents

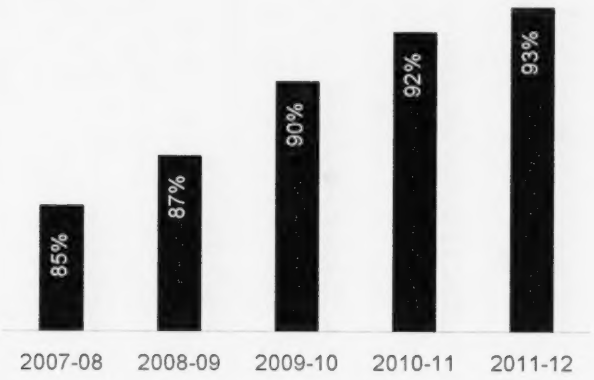
The percentage of facilities with no significant drinking water quality incidents

Targets

- Facility Design Standards: 94 per cent

Figure 8

Facility Design Standards[1]
(percentage of facilities required to meet newer performance standards)



Note:
1 Data do not include waterworks facilities at industrial sites.

Figure 9

Facility Operational Requirements[2]
(percentage of facilities in compliance with regulatory requirements that prevent water quality incidents)

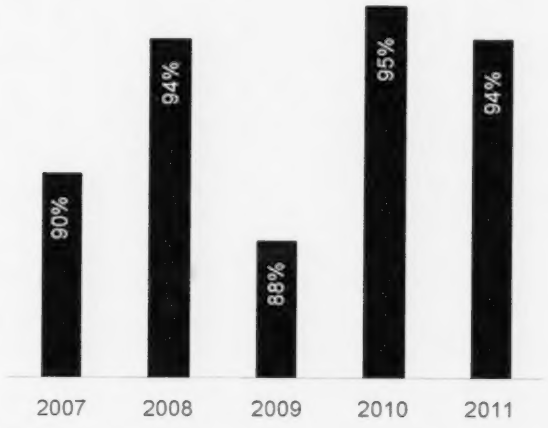
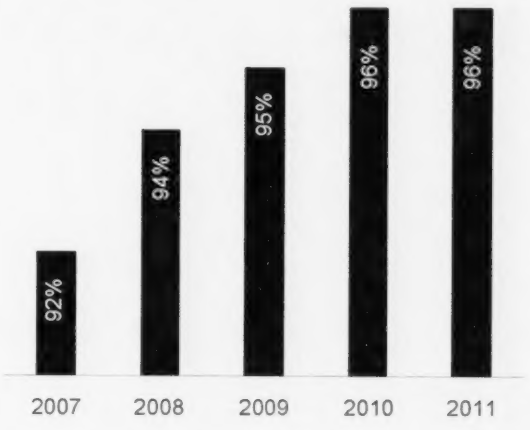


Figure 10

Drinking Water Quality Incidents[2]
(percentage of facilities with no significant drinking water quality incidents)



Note:
2 The methodology for Facility Operational Requirements and Drinking Water Quality Incidents has been enhanced and therefore results are no longer comparable to the target. Historical results have been restated under the new methodology.

Results Analysis

Results show continued improvement in the infrastructure of regulated drinking water facilities. The results also indicate the percentage of facilities in compliance with operational requirements continued at the same level. Program elements such as abatement, education and enforcement continue to address facility operation challenges and water quality events.

Facility Design Standards

In 2011-12, 93 per cent of regulated systems had treatment technology that is required to meet newer facility performance standards. This is an improvement in water quality technology at one per cent of facilities over the previous year. Although this was slightly less than the projected target of a two per cent improvement, an assessment project completed at the end of 2011-12 indicated that a significant number of facilities will be able to meet new performance standards during 2012-13, which would meet or exceed next year's targets. The remaining facilities are required to meet an older performance standard and will require upgrading over time.

Facility Operational Requirements

Compliance with meeting facility operational requirements decreased one per cent in 2011, to 94 per cent of facilities satisfactorily meeting operational requirements. These results are near the projected level of compliance of 96 per cent that the department expects to maintain. Various initiatives, such as abatement and compliance education, have continued to assist facility operators in complying with operational challenges to increase compliance.

Drinking Water Quality Incidents

In 2011, 96 per cent of facilities operated with no significant water quality incidents. Where incidents did occur, advisories were issued where necessary, and Environment and Water staff assisted operators in addressing the problems. The results were the same as the previous year, and generally indicate an improving trend over the past several years. The improvement is, in part, the result of upgrading facilities to meet higher performance standards as well as operators operating in accordance with Facility Operational Requirements. Continuous improvement in upgrading facilities and addressing the operational challenges are expected to further mitigate water quality incidents in the future.

Performance Measures Data Sources and Methodology

Goal 1

1a. Place-based Environmental Management Objectives

Under development

Goal 2

2a. Municipal Solid Waste to Landfills

This measure indicates Alberta's progress towards reducing the amount of municipal solid waste disposed of in municipal landfills, as measured in kilograms of waste per capita per year. Waste from the residential sector; the industrial, commercial and institutional sector; and the construction, renovation and demolition sector collected at municipal landfills is included in this measure. The calculation is based on the kilograms of municipal solid waste sent to landfill and the population served by each reporting landfill.

The information is collected from landfills with weigh scales and is voluntarily provided. The measure is calculated using the most up-to-date population statistics, either Municipal Affairs official population list or Statistics Canada census data. Municipal Affairs uses Statistics Canada census data unless a municipality has conducted a census and can provide more current data. In 2011, Statistics Canada data was updated. Approximately 83 per cent of Alberta's population is served by reporting landfills. Estimates are used for the remaining population, and are derived by multiplying per capita disposal rate with the unmeasured population. The Municipal Affairs official provincial population list is available at http://www.municipalaffairs.alberta.ca/mc_official_populations.cfm. Statistics Canada 2011 Census is available at http://www12.statcan.ca/census-recensement/index-eng.cfm.

Source: Environment and Sustainable Resource Development

2b. Personal Engagement Indicator

An independent consultant conducts an annual telephone survey with a random sample of 800 Albertans aged 18 or older. The "Birthday Method" of selecting respondents, where the interviewer asks to speak to the adult of the household who most recently had a birthday, is used to ensure a random selection within households. The interviews are stratified by region, and quotas are established to ensure a reliable sample size for regional analysis. The final data are weighted to ensure the overall sample's regional and age/gender composition reflects that of the actual Alberta population aged 18 or older according to 2006 Census data.

The margin of error for the total sample of 800 is +/- 3.5 percentage points, 19 times out of 20.

The Personal Engagement Indicator is calculated by the number of survey respondents who describe themselves as actively engaged in energy, waste or water conservation divided by the total number of survey respondents (800). Survey respondents who describe themselves as actively engaged in energy, waste or water conservation include both "very active" and "somewhat active" survey responses.

Source: Ipsos Reid

Goal 3

3a. River Water Quality Index

The River Water Quality Index is used to evaluate water quality in Alberta's major river systems with respect to four groups of variables – metals, bacteria, nutrients and pesticides during the fiscal year. Data from these four groups are combined to provide an indication of overall water quality. Environment and Water has chosen to report on river water quality rather than lake water quality because the effects of human activities are generally more diverse and easier to measure in rivers than in lakes. The index can be used to show relative differences in water quality between rivers, between sites on the same river (e.g., upstream and downstream of developed areas) and over time. Such differences can highlight degradation or improvement that may have a human cause.

The majority of index values show no trends in water quality over time. In 2010-11, water quality in provincial rivers generally was highly rated. Four out of 12 sampling sites scored a rating of excellent, while seven sites scored a rating of good, and one achieved a rating of fair.

Figure 11
(Index 0-100)

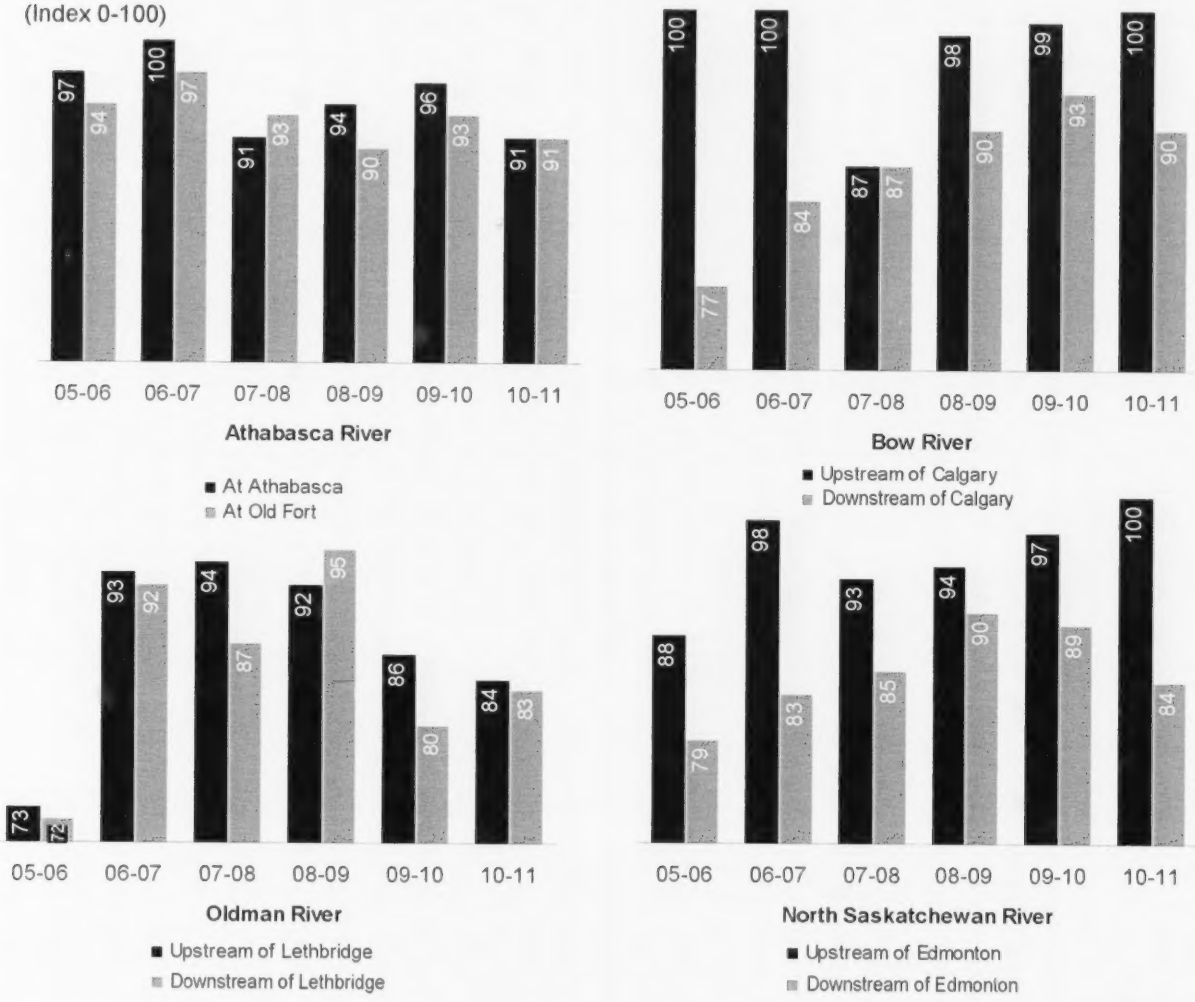
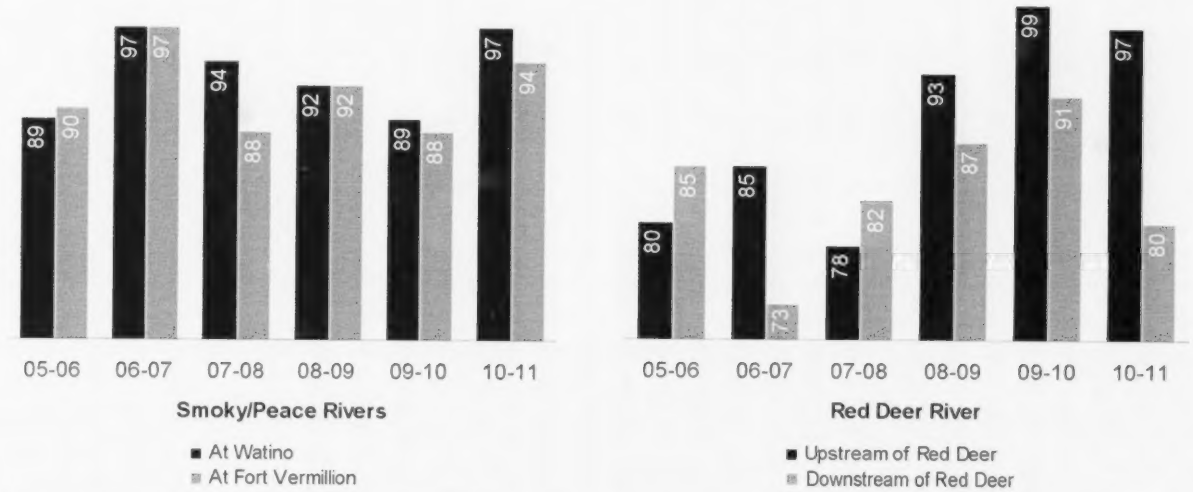


Figure 11 (continued)
(Index 0-100)



Index Guidelines
96 – 100 Almost always met; Best Quality (Excellent).
81 – 95 Occasionally exceeded, but usually by small amounts; threat to quality is minimal (Good).
66 – 80 Sometimes exceeded by moderate amounts; quality occasionally departs from desirable levels (Fair).
46 – 65 Often exceeded, sometimes by large amounts; quality is threatened, often departing from desirable levels (Marginal).
0 – 45 Almost always exceeded by large amounts; quality is significantly impaired and is well below desirable levels; Worst Quality (Poor).

Both upstream and downstream monitoring stations must achieve a minimum rating of good for the river to receive an overall score of good to excellent.

Source: Environment and Sustainable Resource Development

Note: Various natural and human factors, including flow volume, degree of development in the basin, point source effluent discharges and non-point source runoff (e.g., from agricultural fields), can influence the index. In July 2010, significant rainfall events in the Red Deer River Basin likely contributed to increased non-point source runoff to the River. Contaminants (bacteria, nutrients and pesticides) transported by this runoff may have caused an increase in the number and magnitude of water quality guideline exceedances, resulting in a lower River Water Quality Index rating at the downstream monitoring station.

Data for the River Water Quality Index are collected monthly at monitoring locations throughout the province. These stations comprise the provincial long-term river network. Stations upstream and downstream of agricultural, industrial or municipal areas are compared to examine the overall impact of these developments on river water quality. Index values for a subset of these stations from the province's six major river systems are used to depict changes in water quality that have occurred over the past several years.

Monthly water quality samples are collected at key locations for each of the province's six major river systems. An index value is calculated for each of four variable groups for data collected between April and March, representing both a fiscal and a water year:

- Metals (22 variables measured quarterly)
- Nutrients (six variables measured monthly, includes oxygen and pH)
- Bacteria (two variables measured monthly)
- Pesticides (17 variables measured four times through the summer)

Index values for the four variable groups are then averaged to produce an overall index of surface water quality that can be tracked over time. To ensure comparability of index ratings among rivers and monitoring stations, water quality variables used in index calculation must be consistent at all sites. As a result, variables that may be of particular concern in only a few specific rivers (e.g., pulp and paper chlorinated phenolics, polycyclic aromatic hydrocarbons) are not included in the index calculation.

The formula used to calculate index values for each group is based on three statistical attributes of water quality, relative to desirable levels (defined by water quality guidelines, in most cases):

- Scope – the total number of water quality variables that do not meet guidelines
- Frequency – the number of individual measurements for all variables combined that do not meet guidelines
- Amplitude – the amount by which measurements do not meet guidelines

Variables in the first three groups (metals, nutrients and bacteria) are compared to guidelines listed in *Surface Water Quality Guidelines for Use in Alberta*. Where a number of guidelines exist for one variable, the guideline for the most sensitive use (recreation, agriculture or the protection of aquatic life) is typically chosen. Drinking water guidelines are not considered, since surface water should not be used for drinking without first being treated. The index calculator is periodically revised to keep current with updates to National Water Quality Guidelines.

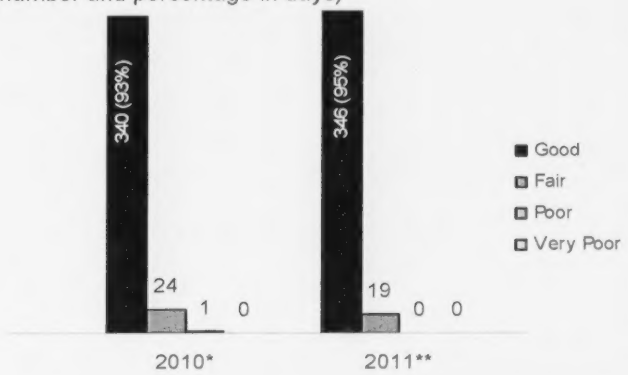
Variables in the fourth group (pesticides) are evaluated based on whether they can be detected in a water sample. This conservative approach was adopted because some pesticides do not yet have official guidelines and, unlike metals, nutrients and bacteria, do not occur naturally in the environment.

3b. Air Quality Index

This measure indicates the number of good, fair, poor and very poor air quality days.

Figure 12

(number and percentage in days)



Source: Environment and Sustainable Resource Development, Parkland Airshed Management Zone, Calgary Region Airshed Zone, Fort Air Partnership, Peace Airshed Zone Association, Palliser Airshed Society and Lakeland Industry and Community Association.
* Based on 10 stations (includes Edmonton Central, Edmonton East, Edmonton South, Calgary Central, Calgary Northwest, Calgary East, Lethbridge, Cold Lake South, Red Deer and Henry Pirker) which operate with new fine particulate matter monitoring technology. Crescent Heights was not included due to insufficient data availability in 2010, and Fort Saskatchewan was not included as it did not use the new fine particulate matter technology at that time.
** Based on data from eleven stations (includes Edmonton Central, Edmonton East, Edmonton South, Calgary Central, Calgary Northwest, Lethbridge, Fort Saskatchewan, Cold Lake South, Red Deer, Crescent Heights and Henry Pirker) which operate with the new fine particulate matter monitoring technology. Calgary East is not included as it was decommissioned for relocation in 2011.

Alberta's Air Quality Index is calculated based on a minimum of four and maximum of five major air pollutants measured hourly at 11 Alberta locations. The monitoring stations are situated in urban centres with consideration given to proximity to industrial and non-industrial sources. The measurements are converted to a standard scale known as the Air Quality Index (AQI), which is calculated for each pollutant every hour. In 2011, the AQI was calculated hourly at 11 continuous monitoring stations, three in Edmonton, two in Calgary and one each in Lethbridge, Fort Saskatchewan, Cold Lake, Red Deer, Grande Prairie and Medicine Hat. The pollutants used to calculate the AQI are carbon monoxide, fine particulate matter ($PM_{2.5}$), nitrogen dioxide, ozone and sulphur dioxide. Measurements of at least four of the five pollutants must be available to calculate the AQI, and $PM_{2.5}$ must be one of the pollutants. The pollutant that gives the highest AQI measure for each hour determines the AQI for that hour. The hourly AQI number is compared to AQI ranges that represent good (0-25), fair (26-50), poor (51-100) and very poor (>100) air quality. The total number of hours of good, fair, poor and very poor air quality for all locations in the year is divided by the number of days in the year and expressed as a percentage. These categories are derived using formulas based on air quality objectives under the *Environmental Protection and Enhancement Act* and the National Ambient Air Quality Objectives.

In agreement with the National Air Pollution Surveillance Program, Environment and Water and airsheds implemented a change in the $PM_{2.5}$ monitoring instrumentation (analyzers) where by the sample is dried rather than heated to better account for the total $PM_{2.5}$ concentration. Using previous technology, when a sample was heated some chemicals were volatilized (evaporated) and the concentration of $PM_{2.5}$ was under predicted. The 2010 and 2011 results reflect the data collected from the new monitoring technology.

3c. Total Greenhouse Gas Emissions

As a signatory to the United Nations Framework Convention on Climate Change, Canada is obligated to prepare and submit an annual national greenhouse gas inventory covering anthropogenic emissions by sources and removals by sinks. Environment Canada is responsible for preparing Canada's official national inventory with input from numerous experts and scientists across Canada. The National Inventory Report contains Canada's annual greenhouse gas emission estimates dating back to 1990.

Environment and Water reports on Alberta's total emissions as reported in the National/Provincial/Territorial Tables.

Canada's inventory can be found here:
http://www.ec.gc.ca/Publications/default.asp?lang=En&xml=A91164E0-7CEB-4D61-841C-BEA8BAA223F9

3d. Drinking Water Safety Indicator

The drinking water safety indicator measures the success of the Drinking Water Program in ensuring Albertans will continue to enjoy safe drinking water. Under the *Environmental Protection and Enhancement Act*, Environment and Water regulates waterworks facilities that provide drinking water to Albertans, including campgrounds and rural subdivisions that use surface water sources, and all waterworks in villages, towns, and cities. This measure demonstrates the quality of Alberta's drinking water program, ensuring Albertans continue to enjoy safe drinking water.

This indicator measures the ability of regulated facilities in delivering safe drinking water to Albertans. The indicator is comprised of three sub-measures:

Facility Design Standards

The measure is an assessment of an approved drinking water facility's requirement against newer performance standards. These standards are revised every five to 10 years. In January 2006, new performance standards were introduced and have been specified for the facilities to which they apply. The reported results indicate the number of facilities that have been constructed, maintained, or upgraded and required to meet newer requirements. Staff at Environment and Water update these assessments throughout the year and report the results annually. The reported results indicate if continuous improvement and upgrading is occurring at the regulated facilities.

Facility Operational Requirements

Approved drinking water facilities operate under conditions of an approval or registration issued under the *Environmental Protection and Enhancement Act*. Facility Operational Requirements data show the percentage of facilities that comply with operational requirements that prevent water quality concerns. The measure considers the number of facilities inspected during the year, rather than the total number of facilities and is based on the inspection program criteria. Facilities are required to self-report non-compliance and, in addition, Environment and Water staff inspect approved facilities throughout the year and report and respond to non-compliance incidents.

Drinking Water Quality Incidents

Regulated drinking water facilities must report on the quality of the treated water against specified limits. Alberta has adopted the health-related limits of the Guidelines for Canadian Drinking Water Quality published by Health Canada as well as establishing treatment performance requirements. Most health-related limits are a concern if the water is consumed over a long period of time (many years) while performance requirements are of a more immediate concern. Intervention is needed in either case, and may range from a public health advisory to prevent consumption of the water, to a requirement to upgrade a waterworks facility.

This measure reports the percentage of facilities with no significant water quality issues. The percentage is based on the total number of facilities.

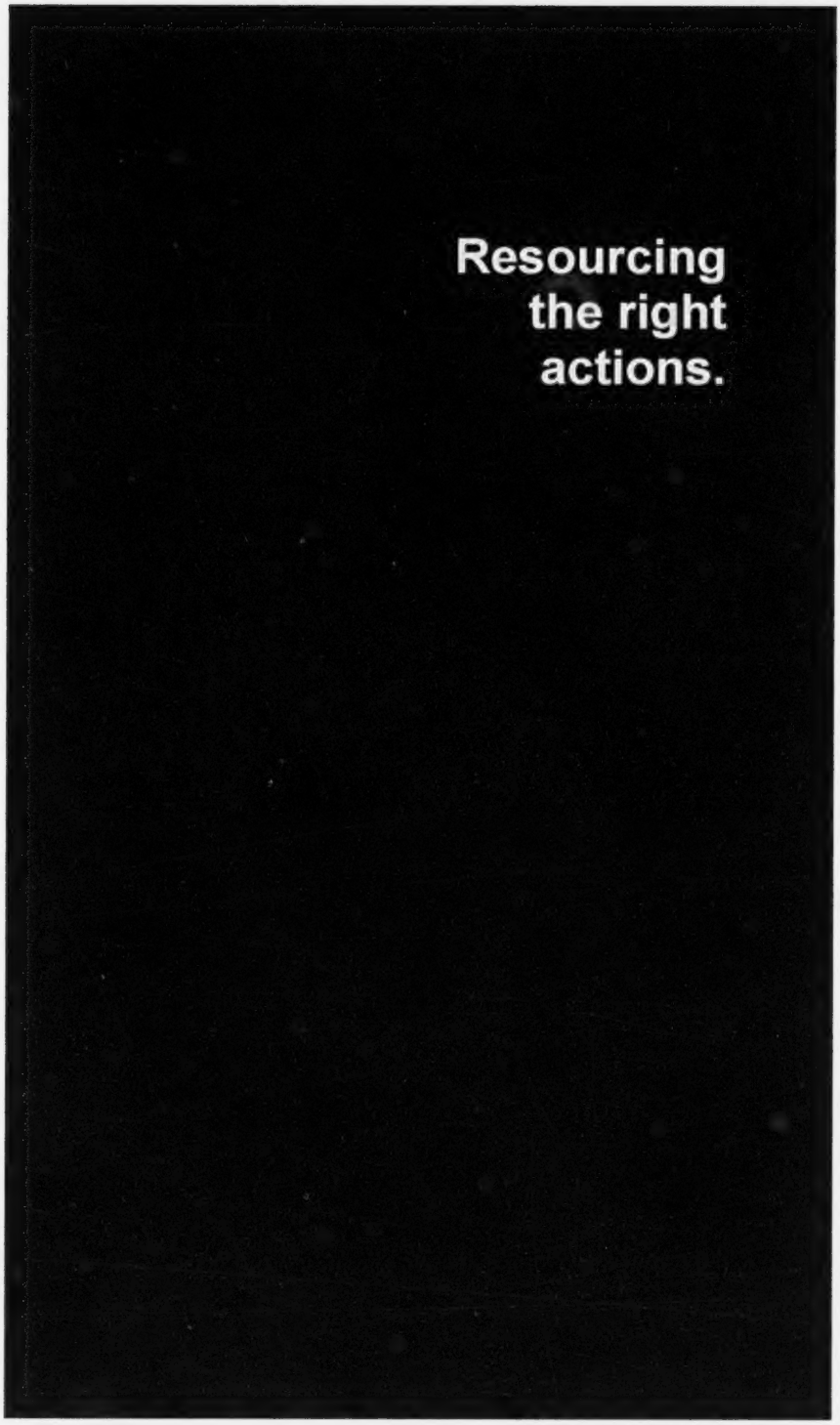
Source: Environment and Sustainable Resource Development

Changes to Performance Measures Information

As Environment and Water continues to implement strategies to improve its role as an environmental manager and steward, performance measures are reviewed for effectiveness in charting the ministry's progress toward its goals. Environment and Water is committed to developing, monitoring and reporting on the best measures available to reflect whether the ministry is having an effect in improving environmental outcomes.

The following changes made since the 2010-11 Annual Report will ensure the current measures are more appropriate either because they better reflect the ministry's evolving role and goals or because they conform better to standards for business planning and reporting.

- Place-based Environmental Management Objectives, Environmental Emergencies Response Indicators and Effective Water Management Infrastructure were discontinued.
- Air Quality Index methodology has been enhanced and therefore results are no longer comparable to the target or historical data prior to 2010. The 2010 and 2011 results reflect the new monitoring technology implemented at air monitoring stations across Alberta which better accounts for total $PM_{2.5}$ concentrations. This initiative is part of the National Air Pollution Surveillance Program being implemented across Canada. Also the 2010 number of good air quality days has been updated to 340 and fair air quality days to 24 to reflect the ten air monitoring stations that operated with new $PM_{2.5}$ monitoring technology.
- The Facility Operational Requirements and Drinking Water Quality Incidents methodology has been enhanced to reflect the percentage of facilities that comply with regulatory requirements that prevent water quality incidents and the percentage of facilities with no significant drinking water quality incidents. Therefore results are no longer comparable to the target. Historical data has been restated under the new methodology.


Resourcing
the right
actions.

Integrated Results Analysis

This fiscal year, Environment and Water continued to meet its emerging challenges in a collaborative and integrated fashion. Resources supported priority areas, such as the sustainable development of clean energy, the cumulative effects management system, water management through the *Water for Life* strategy, and monitoring, science and reporting.

Environment and Water focused efforts on the cumulative effects of oil sands development on land, air and water through improved oil sands tailings management, renewable energy projects, advanced reclamation methods and greenhouse gas reduction technologies.

The department supported projects to reduce greenhouse gas emissions through Canada ecoTrust for Clean Air and Climate Change initiatives, including clean energy research and waste-to-energy conversion. The ministry spent $34 million on ecoTrust initiatives in 2011-12. Major projects included:

- Funding a collaboration between the University of Alberta and the Helmholz Association of German Research Centres. The ministry allocated $11 million towards this initiative, which drives cleaner energy production and focuses on Alberta's oil sands.
- Contributing $14 million to Climate Change Central for the Energy Efficiency Rebate program, which reduces greenhouse gas emissions by transforming how we use energy.
- Allocating $5 million to Carbon Management Canada to establish national research teams who will develop technology and insights to reduce carbon emissions in Canada's fossil fuel energy sector, including the coal, natural gas, conventional oil and oil sands sectors.

The Climate Change and Emissions Management Fund reported $51 million in revenue during the 2011-12 fiscal year and collected $55 million for the 2011 compliance period (based on a calendar year). When added to previous results, a total of $333 million has been invested in the Climate Change and Emissions Management Fund. The fund provides grant payments to the Climate Change and Emissions Management Corporation, an independent not-for-profit organization. This corporation invests in initiatives and projects that support developing and implementing transformative technologies to reduce greenhouse gas emissions and improve our province's ability to adapt to climate change.

The department has continued to implement the cumulative effects management framework in Alberta's Industrial Heartland to enforce environmental thresholds and build collaborative partnerships with stakeholders. The development and implementation of regional plans continues to take place under *the Land-use Framework* to address the impacts of development on land, air, water and biodiversity at a regional and provincial level.

The ministry's *Water for Life* strategy and water plans continued to move forward via the *Water for Life* action plan, which outlined the policies, goals and key directions that government was taking to manage the province's water resources.

The ministry has begun addressing the recommendations of the Environmental Monitoring Panel and will work on delivering on the government's commitment to develop a world class monitoring, evaluation and reporting system for Alberta with an initial focus on Alberta's oil sands.

The ministry is delivering on the strategic priorities, while ensuring the environmental protection of Alberta's land, air and water.

Comparison of 2011-12 Budget to 2011-12 Actuals

The following list provides an explanation of the major program variances.

Ministry Support Services
Program spending was higher than the budgeted amount by $8 million. Funding was reallocated to support business application development aimed at:

- Modern and integrated department information for regulatory business support applications
- Cross-ministry information and knowledge-sharing systems
- Departmental business support systems supporting the transition to cumulative effects management

Land, Air and Waste Policy
Program spending in this area was higher than the budgeted amount by $4 million, because of air quality initiatives, policy development, the Ecosystem Services Approach Pilot on wetlands and the Cumulative Effects Land Management Pilot projects.

Climate Change
Program spending was lower than the budgeted amount by $17 million, primarily because of the deferral of initiatives under Canada ecoTrust for Clean Air and Climate Change.

Water Policy
Program spending was lower than the budgeted amount by $4 million. Initiatives to support the *Water for Life* strategy were delivered in other program areas.

Climate Change and Emissions Management
Program spending was lower than the budgeted amount by $17 million, because of lower revenues to the fund resulting from facilities using more emission performance credits, purchasing Alberta-based offset credits or making improvements to their operations to meet their net emissions intensity limits.

Relationships and Partnerships
Program spending was higher than the budgeted amount by $5 million because of increased grant spending to support watershed planning and the development of an air quality management system.

Resource Management
Program spending was lower than the budgeted amount by $4 million. This decrease is a result of initiatives within Alberta's *Land-use Framework* to address the impacts of development on land, air, water and biodiversity at regional and sub-regional levels being expensed in other programs.

Approvals
Program expenditures were $7 million lower than the budgeted amount because of credit or recovery shortfalls. Fewer applications were received for reclamation and remediation certificates, resulting in fewer site audits being conducted. In addition, funding was reallocated to support information and knowledge management initiatives to develop monitoring, evaluation and reporting systems that engage stakeholders and are open, transparent and integrated.

Comparison of 2011-12 Actuals to 2010-11 Actuals

The following list provides an explanation of the major program variances:

Water Policy

Program spending in 2011-12 was $5 million lower than 2010-11, because initiatives to support the *Water for Life* strategy were delivered in other program areas.

Climate Change and Emissions Management

Program spending in 2011-12 was $25 million lower than in 2010-11, because of decreased revenues to the fund, resulting from facilities using emissions performance credits, purchasing Alberta-based offsets or making improvements to their operations to meet their net emissions intensity limits.

Relationships and Partnerships

Program spending in 2011-12 was $4 million higher than in 2010-11, because of increased grant spending to support watershed planning and the development of an air quality management system.

Resource Management

Program spending in 2011-12 was $3 million lower than in 2010-11, because fewer resources were required to support the development of regional plans under the *Land-use Framework.*

Monitoring, Science and Reporting

Program spending in 2011-12 was $3 million higher than in 2010-11, to address the recommendations of the Alberta Environmental Monitoring Panel including the development of a world-class monitoring system for Alberta.

Legal Settlement

Program spending in 2011-12 was $8 million lower than in 2010-11, resulting from an initial payment of $9 million in 2010-11 to cover the discontinuance of all litigation and release of all claims related to the Bassano Dam. The payment of $1 million in 2011-12 is for annual land access to the Bassano Dam and associated works.

Ministry Expense by Function

Table 3

Ministry Expense by Function

Environment includes policies, programs and services related to sustainable environmental management, ensuring safe and adequate supplies of water, actions taken on climate change and protection of the land.

Year ended March 31, 2012
(unaudited)

	2011-12 Budget	2011-12 Actual	2010-11 Actual (Restated)
		(in thousands)	
Environment	$ 289,723	$ 252,227	$ 286,071

Annual Report
Financial Information
2011 - 2012

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Ministry of Environment and Water

Consolidated Financial Statements

Year Ended March 31, 2012

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Environment and Water, which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Environment and Water as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by
Merwan N. Saher, FCA
Auditor General
June 6, 2012
Edmonton, Alberta

Consolidated Statement of Operations

Year ended March 31, 2012

	2012		2011
	Budget (Schedule 4)	Actual	Actual (Restated Note 12)
	(*in thousands*)		
Revenues (Schedule 1)			
Internal Government Transfers	$ 2,374	$ 803	$ 724
Transfers from Government of Canada	51,078	34,611	24,767
Premiums, Fees and Licences	3,905	3,092	2,494
Climate Change and Emissions Management Fund	68,000	51,172	76,141
Other Revenue	3,290	9,303	2,606
	128,647	98,981	106,732
Expenses - Directly Incurred (Note 2(b) and Schedule 8)			
Program (Schedules 3 and 5)			
Ministry Support Services	18,428	26,224	26,207
Policy:			
Air, Land and Waste Policy	4,478	8,739	7,583
Climate Change	53,354	36,083	35,836
Clean Energy	7,018	5,012	5,190
Policy Innovation	1,500	881	1,500
Water Policy	8,469	4,389	9,098
Reclamation and Emergency Preparedness	2,374	803	724
Climate Change and Emissions Management	68,000	51,172	76,141
Strategy:			
Relationships and Partnerships	4,601	9,420	5,786
Strategy and Analysis	3,606	3,523	4,864
Regional Planning	3,000	2,873	3,000
Operations:			
Resource Management	18,506	14,346	17,160
Approvals	26,800	20,059	20,702
Compliance and Enforcement	11,448	11,805	11,355
Water Operations	38,788	37,078	35,625
Emergency Response	1,308	1,583	1,352
Monitoring, Science and Reporting	16,957	17,149	14,409
Legal Settlement	1,088	1,088	9,539
	289,723	252,227	286,071
Net Operating Results	$ (161,076)	$ (153,246)	$ (179,339)

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Financial Position

As at March 31, 2012

	2012	2011 (Restated Note 12)
	(in thousands)	
Assets		
Cash (Note 2)	$ 53,968	$ 69,078
Accounts Receivable (Note 3)	16,432	24,377
Prepayment of Settlement (Note 4)	11,758	12,803
Tangible Capital Assets (Note 5)	832,696	849,376
	$ 914,854	$ 955,634
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	$ 91,309	$ 147,701
Unearned Revenue (Note 7)	65,267	99,776
	156,576	247,477
Net Assets		
Net Assets at Beginning of Year	708,157	717,338
Net Operating Results	(153,246)	(179,339)
Net Financing Provided from General Revenues	203,367	170,158
Net Assets at End of Year	758,278	708,157
	$ 914,854	$ 955,634

Contractual obligations and contingent liabilities (Notes 8 and 9)
The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2012

	2012	2011 (Restated Note 12)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (153,246)	$ (179,339)
Non-cash items included in Net Operating Results		
Amortization (Schedule 3)	19,635	19,775
Loss (Gain) on Disposal of Tangible Capital Assets	(10)	100
	(133,621)	(159,464)
Decrease in Accounts Receivable	7,945	10,388
Decrease (Increase) in Prepayments of Settlement	1,045	(12,803)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(56,391)	44,619
Decrease in Unearned Revenue	(34,509)	(24,678)
Cash Applied to Operating Transactions	(215,531)	(141,938)
Capital Transactions		
Acquisition of Tangible Capital Assets	(866)	(2,751)
Proceeds on Disposal/Sale of Tangible Capital Assets	230	5
Transfer of Tangible Capital Assets to other Government Entities	4	-
Transfer of Tangible Capital Assets from other Government Entities	(2,314)	(2,310)
Cash Applied to Capital Transactions	(2,946)	(5,056)
Financing Transactions		
Net Financing Provided from General Revenues	203,367	170,158
Increase (Decrease) in Cash	(15,110)	23,164
Cash, Beginning of Year	69,078	45,914
Cash, End of Year	$ 53,968	$ 69,078

The accompanying notes and schedules are part of these financial statements.

Notes to the Consolidated Financial Statements (in thousands)

Note 1
Authority and Purpose

The Ministry of Environment and Water operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statues of Alberta 2000.

The purpose of the ministry is to ensure that Alberta's environment sustains a high quality of life.

Climate Change and Emissions Management Fund

The Climate Change and Emissions Management Fund operates as follows:

- Revenues in the Climate Change and Emissions Management Fund are primarily from purchases of fund units ($15 per tonne) used in meeting net emissions intensity limits. Facilities can also make improvements to their operations, purchase Alberta-based offsets or use emission performance credits. Emissions intensity is the ratio of greenhouse gas emissions to facilities' production for the period.
- Emissions measurement involves the use of different methodologies including estimation techniques and use of emission factors. Such techniques can involve using equipment with varying degrees of precision. Use of different techniques and emission factors will produce different results.
- Management has provided guidance to facilities and verifiers for the calculation and verification of emissions intensity. Every facility submitting a compliance report is required to have a third party verify the report at a limited level of assurance. In a limited level of assurance engagement, verifiers perform procedures with the objective of assessing whether the information reported by facilities is plausible within the framework of the guidance provided by management.

The systems and processes including the offsets purchased by facilities are new and complex. Management believes that as the system evolves, and more guidance is developed, the calculation of emissions intensity will be refined through improved methodologies and data quality.

Management's guidance to the tillage offset verifiers allows the verifiers to rely on the offset project developers' written attestations and records as evidence that the offsets are valid. Management has revised its guidance to require verifiers to collect sufficient evidence to support claims for tillage offsets beginning with the 2012 compliance period.

Notes to the Consolidated Financial Statements (in thousands)

Note 2
Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The Ministry of Environment and Water administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Environment and Water and constitute the reporting entity for which the Minister of Environment and Water is accountable.

Organization

Department of Environment and Water

Climate Change and Emissions Management Fund

Authority

Government Organization Act

Climate Change and Emissions Management Act

All ministries of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of ministries are deposited into the Fund and all cash disbursements made by ministries are paid from the Fund. Net Financing provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues and Measurement Uncertainty

Department

All revenues under the department are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Climate Change and Emissions Management Fund – Revenue

All revenues under Climate Change and Emissions Management Fund are reported on the accrual basis of accounting.

i) Facility Purchases of Fund Units

These revenues are measured from amounts assessed by management and from estimates of amounts not yet assessed based on cash received from facilities that relates to compliance period ended December 31. Revenues also include adjustments between the revenue estimates for previous years and actual amounts. Revenues do not include an estimate of adjustments to amounts not yet assessed, because it cannot be reliably determined.

Notes to the Consolidated Financial Statements (in thousands)

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(b) Basis of Financial Reporting (continued)

Management has adopted a regulatory threshold on emissions and production reported per facility when calculating emissions intensity. This threshold requires facilities to correct and re-verify submissions where errors exceed the threshold. Management can require errors below the threshold to be corrected. Uncorrected errors below the threshold have not been quantified.

ii) Completeness of Revenues from Facility Purchases of Fund Units

Facilities submitting compliance reports are expected to understand and comply with the relevant legislation. This has an impact on the completeness of revenue when facilities do not fully meet the legislative requirements and, for example, report inaccurate or incomplete emissions or production data. Management has implemented systems and processes to detect and correct situations where facilities have not complied with the legislation. These systems and controls, based on areas of highest risk, include performing verifications of facility and offset project records. Management does not estimate the effect of misreported revenue.

Climate Change and Emissions Management Fund – Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported.

The Revenues from Facility Purchases of Fund Units and accounts receivable in these financial statements are subject to measurement uncertainty because methodologies including estimation techniques and emission factors are used in emissions measurement.

Revenues not yet assessed by management and the related accounts receivable are recorded based on cash received from facilities.

Revenues and accounts receivable also include an estimate of $13,828 for the amounts owing for the period January 1 to March 31, 2012 (2011 - $18,371). Management estimated this amount as 25 per cent of revenues for the 2011 compliance period. Actual results could vary by a material amount.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Notes to the Consolidated Financial Statements (in thousands)

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(b) Basis of Financial Reporting (continued)

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the ministry may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the ministry's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses, such as salaries, supplies, etc., directly incurred expenses also include:

- Amortization of tangible capital assets
- Pension costs, which are the cost of employer contributions for current service of employees during the year
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met and a reasonable estimate of the amount can be made.

Incurred by Others

Services contributed by other entities in support of the ministry operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Notes to the Consolidated Financial Statements (in thousand)

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(b) Basis of Financial Reporting (continued)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250, and the threshold for major system enhancements is $100. The threshold for all other tangible capital assets is $5. All land is capitalized.

Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund, which is managed by the Government of Alberta to provide competitive interest income while maintaining maximum security and liquidity.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Environmental liabilities arise from the obligation to clean up contaminated sites (remediation) or to return disturbed land to an equivalent use (reclamation). A remediation or reclamation liability is recognized when the ministry is obligated to incur such costs and an amount can be reasonably estimated.

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the ministry and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The ministry operates within the government reporting entity and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, prepayments, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

Notes to the Consolidated Financial Statements (in thousands)

Note 3
Accounts Receivable

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Climate Change and Emissions Management Fund	$ 15,473	$ -	$ 15,473	$ 22,326
Accounts Receivable General	183	-	183	1,301
Water Power Rentals	179	-	179	169
Use of Works	246	-	246	93
Transfer from the Environmental Protection and Enhancement Fund for Reclamation and Emergency Preparedness	351	-	351	488
	$ 16,432	$ -	$ 16,432	$ 24,377

Accounts receivable are unsecured and non-interest bearing.

Note 4
Prepayment of Settlement

The amount of $11,758 represents a prepayment for future access rights under the Bassano Dam settlement agreement with the Siksika Nation. The prepaid access rights will be expensed annually over the next 13 years as follows: $1,088 annually for the next two years, $1,537 in the third year and $1,025 annually for the remaining 10 years.

Notes to the Consolidated Financial Statements (in thousands)

Note 5
Tangible Capital Assets

	Buildings	Equipment*	Computer Hardware & Software	Land Improvements	Bridges	Dam & Water Management Structures **	2012 Total	2011 Total
Estimated Useful Life	10 years	3-10 years	5-10 years	40 years	50 years	25-80 years		
Historical Cost* **								
Beginning of year	$ 4	$ 16,700	$ 20,534	$ 294	$ 482	$ 1,185,124	$ 1,223,138	$ 1,218,793
Additions	68	225	492	42	-	2,314	3,141	5,061
Disposals, including write downs	-	(414)	(244)	-	-	-	(658)	(716)
	$ 72	$ 16,511	$ 20,782	$ 336	$ 482	$ 1,187,438	$ 1,225,621	$ 1,223,138
Accumulated Amortization								
Beginning of year	$ 2	$ 9,064	$ 17,495	$ 17	$ 113	$ 347,072	$ 373,763	$ 354,599
Amortization Expense	2	1,026	404	9	9	18,185	19,635	19,775
Amortization Transfer	-	(35)	-	-	-	-	(35)	-
Effect of disposals	-	(194)	(244)	-	-	-	(438)	(611)
	$ 4	$ 9,861	$ 17,655	$ 26	$ 122	$ 365,257	$ 392,925	$ 373,763
Net Book Value at March 31, 2012	$ 68	$ 6,650	$ 3,127	$ 310	$ 360	$ 822,181	$ 832,696	
Net Book Value at March 31, 2011	$ 2	$ 7,636	$ 3,039	$ 277	$ 369	$ 838,052		$ 849,375

* Equipment includes vehicles, office, laboratory, heavy equipment and mobile equipment.

** Dams and water management structures include dams, reservoirs, weirs, canals, dykes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures, which are constructed by the Ministry of Transportation and transferred to the Ministry of Environment and Water upon their completion.

*** Historical cost includes work-in-progress at March 31, 2012, totalling $4,558 comprised of: buildings $12 (2011 - $0); equipment $785 (2011 - $1,598); computer hardware and software $1,447 (2011 - $1,406); and dam improvements $2,314 (2011 - $63).

Changes to tangible capital assets were as follows:

	2012	2011
Net Book Value at Beginning of Year	$ 849,375	$ 864,194
Purchase of Tangible Capital Assets	866	2,751
Net Book Value of Disposals and Write Downs	(220)	(105)
Transfer with Other Government Entities	2,275	2,310
Amortization Transfer	35	-
Amortization of Tangible Capital Assets	(19,635)	(19,775)
Net Book Value at End of Year	$ 832,696	$ 849,375

Notes to the Consolidated Financial Statements (in thousands)

Note 6
Accounts Payable and Accrued Liabilities

As at March 31, 2012, the ministry has the following accounts payable and accrued liabilities:

	2012	2011
General Accounts Payable	$ 1,162	$ 2,898
Accrued Liabilities	77,533	133,000
Site Remediation and Reclamation Obligations	1,251	1,251
Hold Back Liability	125	119
Accrued Vacation Pay	11,238	10,433
	$ 91,309	$ 147,701

Note 7
Unearned Revenue

As at March 31, 2012, the ministry has the following unearned revenues:

	2012	2011
Canada ecoTrust for Clean Air and Climate Change	$ 64,272	$ 98,683
Unearned Lease and Water Power Rental Agreement Revenues	579	605
Unearned Reclamation Certificates	416	488
	$ 65,267	$ 99,776

Note 8
Contractual Obligations

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

As at March 31, 2012, the ministry has the following contractual obligations:

	2012	2011
Service contracts (a)	$ 16,944	$ 9,035
Long-term leases (b)	122	329
Grants (c)		
Canada ecoTrust for Clean Air and Climate Change	36,350	33,200
Various Other Programs	66	131
	$ 53,482	$ 42,695

Notes to the Consolidated Financial Statements (in thousands)

Note 8
Contractual Obligations (continued)

These include:

(a) A contractual obligation with the Piikani Nation of $800 based on 2011 constant dollars. This amount is adjusted annually by the Consumer Price Index every year thereafter.

A contractual obligation with the Siksika Nation of $127 based on 1984 constant dollars. This amount is adjusted annually by the preceding year's rate of change calculated from the GDP index every year thereafter.

A contractual obligation with the Siksika Nation of $512 for 10 years beginning in 2016. This amount increases to $1,537 (based on 2016 constant dollars) in 2026, and is adjusted annually by the Consumer Price Index every year thereafter.

Multi-year service contract commitments as follows:

2012-13	$ 8,716
2013-14	1,337
2014-15	1,234
2015-16	955
2016-17	518
Thereafter	4,184
Total	$ 16,944

(b) The ministry leases certain equipment under an operating lease that expires in 2013. The amount payable for the unexpired terms of this lease is as follows:

2012-13	$ 122

(c) Multi-year grant commitments as follows:

2012-13	$ 19,916
2013-14	16,500
Total	$ 36,416

A contractual grant obligation to pay grants out of the Climate Change and Emissions Management Fund to the Climate Change and Emissions Management Corporation until September 1, 2014. The annual grant amount is equal to the revenues from Facility Purchases of Fund Units for the calendar year compliance period adjusted for accumulated interest, changes to amounts assessed and the cost of verifications initiated by management.

Notes to the Consolidated Financial Statements (in thousands)

Note 9
Contingent Liabilities

At March 31, 2012, the ministry is a defendant in 14 legal claims (2011 – 15 legal claims). Ten of these claims have specified amounts totalling $232,048 and the remaining four have no specified amount (2011 – 11 claims with specified amounts totalling $235,049 and the remaining four have no specified amount).

Included in the total legal claims is one claim in which the ministry has been named as the sole defendant (2011 – five legal claims). This claim has a specified amount totalling $46 (2011 – five claims with specified amounts totalling $21,538). There are 11 claims in which the ministry has been jointly named with other entities (2011 – 10 legal claims). Seven of these claims have specified amounts totalling $229,911 (2011 – six claims totalling $213,511) including one claim totalling $202,150 which is partially covered at 25 per cent by the Alberta Risk Management Fund (2011 – one claim totalling $202,150). The remaining four claims have no specified amount (2011 – four claims with no specified amount). Two claims amounting to $2,091 are fully covered by the Alberta Risk Management Fund (2011 – no claims).

The resulting loss, if any, from these claims cannot be determined.

Note 10
Trust Fund Under Administration

The ministry administers a trust fund that is a regulated fund consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the fund and administers it for the purpose of the trust, it is not included in the ministry's financial statements.

At March 31, 2012, the trust fund under administration is as follows:

	2012	2011
Environmental Protection Security Fund	$ 18,391	$ 14,800

In addition to the above trust fund under administration, the ministry holds bank guarantees in the form of letters of credit and promissory notes in the amount of $1,296,002 (2011 - $1,245,262). The majority of these guarantees are held to assure satisfactory reclamation of coal and oil sands operations, sand and gravel pits, landfills, hazardous waste management and hazardous recyclable facilities.

Notes to the Consolidated Financial Statements (in thousands)

Note 11
Benefit Plans

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $9,814 for the year ended March 31, 2012 (2011 – $9,530). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – deficiency $397,087), the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 – deficiency $2,067,151) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $53,489 (2010 – deficiency $39,559).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9,136 (2011 — deficiency $4,141) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,454 (2011 — surplus $7,020). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 12
Restatement of Prior Years

Based on an Order in Council (O.C. 24/2012) dated January 20, 2012, the budgetary responsibility for the functional reporting of Cabinet Policy Committee on Resources and the Environment was transferred from the Ministry of Environment and Water to the Ministry of Tourism, Parks and Recreation (Section 19, subsection (3)). Ministry Support Services Program expenses for 2011 ($194) have been restated as if the ministry had never been assigned responsibility.

The method of funding the eligible initiatives from the lottery and gaming proceeds was changed during the year. Previously, they were funded directly from the Lottery Fund and were included in the ministry's revenues ($500). However, such proceeds are now deposited into the General Revenue Fund to finance the eligible initiatives. Financial statements for prior years have been restated as if the current arrangement had always existed. Schedule 6 provides a comparison of estimates and actual expenses for Lottery Fund initiatives.

Net Operating Results, as previously reported at March 31, 2011	$ (179,033)
Plus: Expenses transferred to Tourism, Parks and Recreation	194
Less: Revenues transferred to Finance	(500)
Net Operating Results, as restated at April 1, 2011	$ (179,339)

Notes to the Consolidated Financial Statements (in thousands)

Note 13
Subsequent Events

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministry of Environment and Water was restructured. The Ministry of Environment and Water and the Ministry of Sustainable Resource Development were consolidated and renamed the Ministry of Environment and Sustainable Resource Development. The ministry has also assumed responsibilities for the Environmental Protection and Enhancement Fund, the Land Stewardship Fund and the Natural Resources Conservation Board.

Note 14
Comparative Figures

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

Note 15
Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule to Financial Statements

Revenues

Schedule 1

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual (Restated)
	(in thousands)		
Internal Government Transfers			
Transfer from Environmental Protection and Enhancement Fund for Reclamation and Emergency Preparedness	$ 2,374	$ 803	$ 724
Transfers from Government of Canada			
Canada ecoTrust for Clean Air and Climate Change	51,078	34,411	24,767
Air Quality Health Index	-	200	-
	51,078	34,611	24,767
Premiums, Fees and Licences			
Land and Grazing	55	85	53
Reclamation Certificates	2,500	1,408	1,204
Water Power Rentals	650	1,126	706
Other	700	473	531
	3,905	3,092	2,494
Other Revenue			
Climate Change and Emissions Management Fund	68,000	51,172	76,141
Refunds of Expenditure	-	6,163	981
Water Resources	2,900	2,884	1,358
Other	390	256	267
	71,290	60,475	78,747
Total Revenues	$ 128,647	$ 98,981	$ 106,732

Schedule to Financial Statements

Credit or Recovery

Schedule 2

Year ended March 31, 2012

	2012		
	Authorized[2]	Actual	(Shortfall) / Excess
	(in thousands)		
Reclamation Certificate	$ 2,500	$ 1,362	$ (1,138)
Remediation Certificate	100	30	(70)
Water Management Infrastructure	2,900	2,549	(351)
Air Quality Health Index	200	200	-
	$ 5,700	$ 4,141	$ (1,559)[1]

[1] The credits or recoveries presented in this schedule are included in the ministry's Statement of Operations. Shortfall is deducted from current year's authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.

[2] The authorized budget for credits or recovery includes Adjustments appearing on Schedules 4 and 5. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*. Only expenditures are authorized.

The Reclamation Certificate credit or recovery initiative refers to the costs of conducting audits at sites that are certified under the upstream oil and gas reclamation program. Revenues are received through a reclamation certificate application fee.

The Remediation Certificate credit or recovery initiative refers to the costs of conducting site audits that are certified under Environment and Water's new Remediation Certificate Regulation. Revenues are received through a remediation site certificate application fee.

The Water Management Infrastructure credit or recovery initiative refers to the maintenance and upgrading of the provincial water management infrastructure system. Revenues are received through the Use of Works Agreements whereby developers pay an annual fee to the Government of Alberta.

The Air Quality Health Index credit or recovery initiative refers to the communication efforts that support the implementation of the national Air Quality Health Index in the province. Revenue is collected through an agreement with Health Canada as part of the federal Air Quality Health Index National Outreach Strategy.

Schedule to Financial Statements

Expenses - Directly Incurred Detailed by Object

Schedule 3

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual (Restated)
	(in thousands)		
Salaries, Wages and Employee Benefits	$ 98,591	$ 99,781	$ 97,531
Supplies and Services	48,057	43,836	43,909
Grants	120,371	86,826	124,119
Financial Transactions and Other	343	2,149	737
Amortization of Tangible Capital Assets	22,361	19,635	19,775
	$ 289,723	$ 252,227	$ 286,071

Schedule to Financial Statements

Budget

Year ended March 31, 2012

Schedule 4

	2011-12 Estimates*	Adjustment (a)	2011-12 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget
			(in thousands)		
Revenues					
Internal Government Transfers	$ 2,374	$ -	$ 2,374	$ -	$ 2,374
Transfers from Government of Canada	51,078	-	51,078	-	51,078
Premiums, Fees and Licences	3,905	-	3,905	-	3,905
Climate Change and Emissions Management Fund	68,000	-	68,000	-	68,000
Other Revenue	3,290	-	3,290	-	3,290
	128,647	-	128,647	-	128,647
Expenses - Directly Incurred					
Programs					
Ministry Support Services	18,428	-	18,428	-	18,428
Policy:					
Air, Land and Waste Policy	4,478	200	4,678	-	4,678
Climate Change	53,354	-	53,354	13,000	66,354
Clean Energy	7,018	-	7,018	-	7,018
Policy Innovation	1,500	-	1,500	-	1,500
Water Policy	8,469	-	8,469	-	8,469
Reclamation and Emergency Preparedness	2,374	-	2,374	-	2,374
Climate Change and Emissions Management	68,000	-	68,000	-	68,000
Strategy:					
Relationships and Partnerships	4,601	-	4,601	-	4,601
Strategy and Analysis	3,606	-	3,606	-	3,606
Regional Planning	3,000	-	3,000	-	3,000
Operations:					
Resource Management	18,506	-	18,506	-	18,506
Approvals	26,800	-	26,800	-	26,800
Compliance and Enforcement	11,448	-	11,448	-	11,448
Water Operations	38,788	700	39,488	-	39,488
Emergency Response	1,308	-	1,308	-	1,308
Monitoring, Science and Reporting	16,957	-	16,957	-	16,957
Legal Settlement	1,088	-	1,088	-	1,088
Credit or Recovery (Shortfall) (Schedule 2)	-	(1,559)	(1,559)	-	(1,559)
	289,723	(659)	289,064	13,000	302,064
Net Operating Results	$ (161,076)	$ 659	$ (160,417)	$ (13,000)	$ (173,417)
Capital Investment	$ 1,344	$ -	$ 1,344	$ -	$ 1,344
Non-Budgetary Disbursements	$ 100	$ -	$ 100	$ -	$ 100

* Estimates of $135 included under Ministry Support Services program for Cabinet Policy Committee on Resources and the Environment were transferred from Environment and Water to Tourism, Parks and Recreation.

(a) Adjustment includes Credit or Recovery Shortfall. Other authorized adjustments include $200 for Air Quality Health Index approved on July 26, 2011, and $700 for Infrastructure Feasibility Study approved on May 18, 2011. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates of $13,000 were approved on December 1, 2011.

Schedule to Financial Statements

Comparison of Directly Incurred Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending

Schedule 5

Year ended March 31, 2012

	2011-12 Estimates*	Adjustments (a)	2011-12 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget	Amounts Not Required To Be Voted	2011-12 Authorized Spending	2011-12 Actual Expense	Unexpended (Over Expended)
					(in thousands)				
Expense and Capital Investment									
Ministry Support Services									
1.1 Minister's Office	$ 598	$ -	$ 598	$ -	$ 598	$ -	$ 598	$ 550	$ 48
1.3 Deputy Minister's Office	767	-	767	-	767	-	767	768	(1)
1.4 Communications	1,267	-	1,267	-	1,267	-	1,267	1,265	2
1.5 Legal Services	265	-	265	-	265	-	265	178	87
1.6 Corporate									
- Expense	15,531	-	15,531	-	15,531	(99)	15,432	23,499	(8,067)
- Capital Investment	385	-	385	-	385	-	385	300	85
TOTAL PROGRAM 1	$ 18,813	$ -	$ 18,813	$ -	$ 18,813	$ (99)	$ 18,714	$ 26,560	$ (7,846)
Policy									
2.1 Air, Land and Waste Policy	4,478	200	4,678	-	4,678	-	4,678	8,772	(4,094)
2.2 Climate Change	53,354	-	53,354	13,000	66,354	-	66,354	36,153	30,201
2.3 Clean Energy									
- Expense	7,018	-	7,018	-	7,018	-	7,018	4,922	2,096
- Capital Investment	-	-	-	-	-	-	-	153	(153)
2.4 Policy Innovation	1,500	-	1,500	-	1,500	-	1,500	783	717
2.5 Water Policy	8,469	-	8,469	-	8,469	-	8,469	4,257	4,212
TOTAL PROGRAM 2	$ 74,819	$ 200	$ 75,019	$ 13,000	$ 88,019	$ -	$ 88,019	$ 55,040	$ 32,979
Strategy									
3.1 Relationships and Partnerships	4,601	-	4,601	-	4,601	-	4,601	9,398	(4,797)
3.2 Strategy and Analysis	3,606	-	3,606	-	3,606	-	3,606	3,409	197
3.3 Regional Planning	3,000	-	3,000	-	3,000	-	3,000	2,718	282
TOTAL PROGRAM 3	$ 11,207	$ -	$ 11,207	$ -	$ 11,207	$ -	$ 11,207	$ 15,525	$ (4,318)
Operations									
4.1 Resource Management	18,506	-	18,506	-	18,506	-	18,506	14,673	3,833
4.2 Approvals	26,800	-	26,800	-	26,800	-	26,800	19,979	6,821
4.3 Compliance and Enforcement	11,448	-	11,448	-	11,448	-	11,448	11,827	(379)
4.4 Water Operations									
- Expense	38,788	700	39,488	-	39,488	(22,361)	17,127	17,241	(114)
- Capital Investment	-	-	-	-	-	-	-	12	(12)
4.5 Emergency Response	1,308	-	1,308	-	1,308	-	1,308	1,542	(234)
TOTAL PROGRAM 4	$ 96,850	$ 700	$ 97,550	$ -	$ 97,550	$ (22,361)	$ 75,189	$ 65,274	$ 9,915

* Estimates of $135 for Element 1.2 Cabinet Policy Committee on Resources and Environment, of Program 1, Ministry Support Services were transferred from Environment and Water to Tourism, Parks and Recreation.

(a) Adjustments include credit or recovery shortfall. Other authorized adjustments include $200 for Air Quality Health Index approved on July 26, 2011, and $700 for Infrastructure Feasibility Study approved on May 18, 2011. Treasury Board and Enterprise approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates of $13,000 were approved on December 1, 2011.

Schedule to Financial Statements

Comparison of Directly Incurred Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending

Schedule 5 (continued)

Year ended March 31, 2012

	2011-12 Estimates*	Adjust-ments (a)	2011-12 Budget	Authorized Supple-mentary (b)	2011-12 Authorized Budget	Amounts Not Required To Be Voted	2011-12 Authorized Spending	2011-12 Actual Expense	Unexpended (Over Expended)
					(in thousands)				
Expense and Capital Investment									
Monitoring and Science									
5 Monitoring, Science and Reporting									
- Expense	16,957	-	16,957	-	16,957	-	16,957	16,845	112
- Capital Investment	959	-	959	-	959	-	959	401	558
TOTAL PROGRAM 5	$ 17,916	$ -	$ 17,916	$ -	$ 17,916	$ -	$ 17,916	$ 17,246	$ 670
6 Legal Settlement	1,088	-	1,088	-	1,088	(1,088)	-	-	-
								-	-
TOTAL PROGRAM 6	$ 1,088	$ -	$ 1,088	$ -	$ 1,088	$ (1,088)	$ -	$ -	$ -
Reclamation and Emergency Preparedness	2,374	-	2,374	-	2,374	(2,374)	-	-	-
Climate Change and Emissions Management Corporation	68,000	-	68,000	-	68,000	(68,000)	-	-	-
Credit or Recovery (Shortfall) (Schedule 2)	-	(1,559)	(1,559)	-	(1,559)	-	(1,559)	-	(1,559)
	$ 70,374	$(1,559)	$ 68,815	$ -	$ 68,815	$ (70,374)	$ (1,559)	$ -	$ (1,559)
Expense	289,723	(659)	289,064	13,000	302,064	(93,922)	208,142	178,779	29,363
Capital Investment	1,344	-	1,344	-	1,344	-	1,344	866	478
	$ 291,067	$ (695)	$290,408	$ 13,000	$ 303,408	$ (93,922)	$ 209,486	$179,645	$ 29,841
Non-Budgetary Disbursements									
Approvals	$ 100	$ -	$ 100	$ -	$ 100	$ -	$ 100	$ -	$ 100

* Estimates of $135 for Element 1.2 Cabinet Policy Committee on Resources and Environment, of Program 1, Ministry Support Services were transferred from Environment and Water to Tourism, Parks and Recreation.

(a) Adjustments include credit or recovery shortfall. Other authorized adjustments include $200 for Air Quality Health Index approved on July 26, 2011, and $700 for Infrastructure Feasibility Study approved on May 18, 2011. Treasury Board and Enterprise approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates of $13,000 were approved on December 1, 2011.

Schedule to Financial Statements

Lottery Fund Estimates

Schedule 6

Year ended March 31, 2012

	2011-12 Lottery Fund Estimates	2011-12 Actual	Unexpended (Over Expended)
		(in thousands)	
Resource Management	$ 500	$ 500	$ -

The revenue of the Lottery Fund is transferred to the Ministry of Finance on behalf of the General Revenue Fund. Having been transferred to the General Revenue Fund, these monies then become part of the ministry's supply vote. This table shows details of the initiatives within the ministry that are funded by the Lottery Fund and compares it to the actual results.

Schedule to Financial Statements

Related Party Transactions

Schedule 7

Year ended March 31, 2012

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the ministry.

The ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this Schedule.

The ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2012	2011 (Restated)
Revenue		
Internal Government Transfers	$ 803	$ 724
	$ 803	$ 724
Expenses - Directly Incurred		
Grants	$ 11,000	$ 10,650
Other Services	3,773	3,141
	$ 14,773	$ 13,791
Tangible Capital Assets Transferred In	$ 2,275	$ 2,310
Payable to	$ 786	$ 648
Receivable from	$ 351	$ 488
Contractual Obligations	$ 41	$ 113

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Other Entities	
	2012	2011
Expenses - Incurred by Others		
Accommodation	$ 9,849	$ 9,358
Legal	2,089	2,122
Water Management Infrastructure Maintenance	6,022	5,734
Other Services	243	253
Service Alberta	4,071	3,646
	$ 22,274	$ 21,113

Schedule to Financial Statements

Allocated Costs

Year ended March 31, 2012
(in thousands)

Schedule 8

Program	2012 Expenses[1]	2012 Expenses - Incurred by Others: Accommodation Costs[2]	2012 Expenses - Incurred by Others: Legal Services[3]	2012 Expenses - Incurred by Others: Water Management Infrastructure Maintenance	2012 Expenses - Incurred by Others: Other Services[4] and Service Alberta	2012 Total Expenses	2011 Total Expenses (Restated)
Ministry Support Services	$ 26,224	$ 1,553	$ 236	$ -	$ 4,314	$ 32,327	$ 32,417
Air, Land and Waste Policy	8,739	540	18	-	-	9,297	8,225
Climate Change	36,083	132	220	-	-	36,435	36,128
Clean Energy	5,012	308	29	-	-	5,349	5,505
Policy Innovation	881	110	6	-	-	997	1,500
Water Policy	4,389	264	35	-	-	4,688	9,338
Reclamation and Emergency Preparedness	803	-	-	-	-	803	724
Climate Change and Emissions Management	51,172	-	-	-	-	51,172	76,141
Relationships and Partnerships	9,420	463	34	-	-	9,917	6,171
Strategy and Analysis	3,523	264	27	-	-	3,814	5,108
Regional Planning	2,873	121	22	-	-	3,016	3,000
Resource Management	14,346	1,014	274	-	-	15,634	18,523
Approvals	20,059	1,774	397	-	-	22,230	22,928
Compliance and Enforcement	11,805	1,102	169	-	-	13,076	12,700
Water Operations	37,078	1,113	575	6,022	-	44,788	42,564
Emergency Response	1,583	99	19	-	-	1,701	1,447
Monitoring, Science and Reporting	17,149	992	28	-	-	18,169	15,226
Legal Settlement	1,088	-	-	-	-	1,088	9,539
	$ 252,227	$ 9,849	$ 2,089	$ 6,022	$ 4,314	$ 274,501	$ 307,184

(1) Expenses – Directly incurred as per Statement of Operations.
(2) Costs shown for Accommodation on Schedule 7, allocated by budgeted Full-Time Equivalent Employment.
(3) Costs shown for Legal Services on Schedule 7 allocated by estimated costs by each program.
(4) Costs shown for Other Services on Schedule 7 include charges for Air Transportation Services, Government of Alberta Learning Centre and Corporate Internal Audit Services.

Department of Environment and Water

Financial Statements

Year Ended March 31, 2012

Independent Auditor's Report

To the Minister of Environment and Sustainable Resource Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Environment and Water, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Environment and Water as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by
Merwan N. Saher, FCA
Auditor General
June 6, 2012
Edmonton, Alberta

Statement of Operations

Year ended March 31, 2012

	2012		2011
	Budget (Schedule 4)	Actual	Actual (Restated Note 12)
	(in thousands)		
Revenues (Schedule 1)			
Internal Government Transfers	$ 2,374	$ 803	$ 724
Transfers from Government of Canada	51,078	34,611	24,767
Premiums, Fees and Licences	3,905	3,092	2,494
Other Revenue	3,290	9,303	2,606
	$ 60,647	$ 47,809	$ 30,591
Expenses - Directly Incurred (Note 2(b) and Schedule 9)			
Program (Schedules 3 and 5)			
Ministry Support Services	18,428	26,224	26,207
Policy:			
Air, Land and Waste Policy	4,478	8,739	7,583
Climate Change	53,354	36,083	35,836
Clean Energy	7,018	5,012	5,190
Policy Innovation	1,500	881	1,500
Water Policy	8,469	4,389	9,098
Reclamation and Emergency Preparedness	2,374	803	724
Strategy:			
Relationships and Partnerships	4,601	9,420	5,786
Strategy and Analysis	3,606	3,523	4,864
Regional Planning	3,000	2,873	3,000
Operations:			
Resource Management	18,506	14,346	17,160
Approvals	26,800	20,059	20,702
Compliance and Enforcement	11,448	11,805	11,355
Water Operations	38,788	37,078	35,625
Emergency Response	1,308	1,583	1,352
Monitoring, Reporting and Science	16,957	17,149	14,409
Legal Settlement	1,088	1,088	9,539
	221,723	201,055	209,930
Net Operating Results	$ (161,076)	$ (153,246)	$ (179,339)

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position

As at March 31, 2012

	2012	2011 (Restated Note 12)
	(in thousands)	
Assets		
Cash	$ 55	$ 211
Accounts Receivable (Note 3)	959	2,051
Prepayment of Settlement (Note 4)	11,758	12,803
Tangible Capital Assets (Note 5)	832,696	849,376
	$ 845,468	$ 864,441
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	$ 21,923	$ 56,508
Unearned Revenue (Note 7)	65,267	99,776
	87,190	156,284
Net Assets		
Net Assets at Beginning of Year	708,157	717,338
Net Operating Results	(153,246)	(179,339)
Net Financing Provided from General Revenues	203,367	170,158
Net Assets at End of Year	758,278	708,157
	$ 845,468	$ 864,441

Contractual obligations and contingent liabilities (Notes 8 and 9).
The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows

Year ended March 31, 2012

	2012	2011 (Restated Note 12)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (153,246)	$ (179,339)
Non-cash items included in Net Operating Results		
Amortization (Schedule 3)	19,635	19,775
Loss (Gain) on Disposal of Tangible Capital Assets	(10)	100
	(133,621)	(159,464)
Decrease (Increase) in Accounts Receivable	1,092	(258)
Decrease (Increase) in Prepayments of Settlement	1,045	(12,803)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(34,584)	32,285
Decrease in Unearned Revenue	(34,509)	(24,678)
Cash Applied to Operating Transactions	(200,577)	(164,918)
Capital Transactions		
Acquisition of Tangible Capital Assets	(866)	(2,751)
Proceeds on Disposal/Sale of Tangible Capital Assets	230	5
Transfer of Tangible Capital Assets to other Government Entities	4	-
Transfer of Tangible Capital Assets from other Government Entities	(2,314)	(2,310)
Cash Applied to Capital Transactions	(2,946)	(5,056)
Financing Transactions		
Net Financing Provided from General Revenues	203,367	170,158
Increase (Decrease) in Cash	(156)	184
Cash, Beginning of Year	211	27
Cash, End of Year	$ 55	$ 211

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements (in thousands)

Note 1
Authority and Purpose

The Department of Environment and Water operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The purpose of the department is to ensure that Alberta's environment sustains a high quality of life.

Note 2
Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Environment and Water, which is part of the Ministry of Environment and Water for which the Minister of Environment and Water is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal-provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Notes to the Financial Statements (in thousands)

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(b) Basis of Financial Reporting (continued)

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses, such as salaries, supplies, etc., directly incurred expenses include:

- Amortization of tangible capital assets
- Pension costs, which are the cost of employer contributions for current service of employees during the year
- Valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met and a reasonable estimate of the amount can be made.

Incurred by Others

Services contributed by other entities in support of the department operations are disclosed in Schedule 8 and allocated to programs in Schedule 9.

Notes to the Financial Statements (in thousands)

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(b) Basis of Financial Reporting (continued)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250, and the threshold for major system enhancements is $100. The threshold for all other tangible capital assets is $5. All land is capitalized.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Environmental liabilities arise from the obligation to clean up contaminated sites (remediation) or to return disturbed land to an equivalent use (reclamation). A remediation or reclamation liability is recognized when the department is obligated to incur such costs and an amount can be reasonably estimated.

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the department and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, prepayments, accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

Notes to the Financial Statements (in thousands)

Note 3
Accounts Receivable

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable General	$ 183	$ -	$ 183	$ 1,301
Water Power Rentals	179	-	179	169
Use of Works	246	-	246	93
Transfer from the Environmental Protection and Enhancement Fund for Reclamation and Emergency Preparedness	351	-	351	488
	$ 959	$ -	$ 959	$ 2,051

Accounts receivable are unsecured and non-interest bearing.

Note 4
Prepayment of Settlement

The amount of $11,758 represents a prepayment for future access rights under the Bassano Dam settlement agreement with the Siksika Nation. The prepaid access rights will be expensed annually over the next 13 years as follows: $1,088 annually for the next two years, $1,537 in the third year and $1,025 annually for the remaining 10 years.

Notes to the Financial Statements (in thousands)

Note 5
Tangible Capital Assets

	Buildings	Equipment*	Computer Hardware & Software	Land Improvements	Bridges	Dam & Water Management Structures **	2012 Total	2011 Total
Estimated Useful Life	10 years	3-10 years	5-10 years	40 years	50 years	25-80 years		
Historical Cost* **								
Beginning of year	$ 4	$ 16,700	$ 20,534	$ 294	$ 482	$ 1,185,124	$ 1,223,138	$ 1,218,793
Additions	68	225	492	42	-	2,314	3,141	5,061
Disposals, including write downs	-	(414)	(244)	-	-	-	(658)	(716)
	$ 72	$ 16,511	$ 20,782	$ 336	$ 482	$ 1,187,438	$ 1,225,621	$ 1,223,138
Accumulated Amortization								
Beginning of year	$ 2	$ 9,064	$ 17,495	$ 17	$ 113	$ 347,072	$ 373,763	$ 354,599
Amortization Expense	2	1,026	404	9	9	18,185	19,635	19,775
Amortization Transfer	-	(35)	-	-	-	-	(35)	-
Effect of disposals	-	(194)	(244)	-	-	-	(438)	(611)
	$ 4	$ 9,861	$ 17,655	$ 26	$ 122	$ 365,257	$ 392,925	$ 373,763
Net Book Value at March 31, 2012	$ 68	$ 6,650	$ 3,127	$ 310	$ 360	$ 822,181	$ 832,696	
Net Book Value at March 31, 2011	$ 2	$ 7,636	$ 3,039	$ 277	$ 369	$ 838,052		$ 849,375

* Equipment includes vehicles, office, laboratory, heavy equipment and mobile equipment.

** Dams and water management structures include dams, reservoirs, weirs, canals, dykes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures, which are constructed by the Ministry of Transportation and transferred to the Department of Environment and Water upon their completion.

*** Historical cost includes work-in-progress at March 31, 2012, totalling $4,558 comprised of: building $12 (2011 - $0); equipment $785 (2011 - $1,598); computer hardware and software $1,447 (2011 - $1,406); and dam improvements $2,314 (2011 - $63).

Changes to tangible capital assets were as follows:

	2012	2011
Net Book Value at Beginning of Year	$ 849,375	$ 864,194
Purchase of Tangible Capital Assets	866	2,751
Net Book Value of Disposals and Write Downs	(220)	(105)
Transfer with Other Government Entities	2,275	2,310
Amortization Transfer	35	-
Amortization of Tangible Capital Assets	(19,635)	(19,775)
Net Book Value at End of Year	$ 832,696	$ 849,375

Notes to the Financial Statements (in thousands)

Note 6
Accounts Payable and Accrued Liabilities

As at March 31, 2012, the department has the following accounts payable and accrued liabilities:

		2012		2011
General Accounts Payable	$	1,162	$	2,898
Accrued Liabilities		8,147		41,807
Site Remediation and Reclamation Obligations		1,251		1,251
Hold Back Liability		125		119
Accrued Vacation Pay		11,238		10,433
	$	21,923	$	56,508

Note 7
Unearned Revenue

As at March 31, 2012, the department has the following unearned revenues:

		2012		2011
Canada ecoTrust for Clean Air and Climate Change	$	64,272	$	98,683
Unearned Lease and Water Power Rental Agreement Revenues		579		605
Unearned Reclamation Certificates		416		488
	$	65,267	$	99,776

Note 8
Contractual Obligations

Contractual obligations are obligations that will become liabilities in the future when the terms of those contracts or agreements are met.

As at March 31, 2012, the department has the following contractual obligations:

		2012		2011
Service contracts (a)	$	16,944	$	9,035
Long-term leases (b)		122		329
Grants (c)				
Canada ecoTrust for Clean Air and Climate Change		36,350		33,200
Various Other Programs		66		131
	$	53,482	$	42,695

Notes to the Financial Statements (in thousands)

Note 8
Contractual Obligations (continued)

These include:

(a) A contractual obligation with the Piikani Nation of $800 in 2011 constant dollars. This amount is adjusted annually by the Consumer Price Index every year thereafter.

A contractual obligation with the Siksika Nation of $127 based on 1984 constant dollars. This amount is adjusted annually by the preceding year's rate of change calculated from the GDP index every year thereafter.

A contractual obligation with the Siksika Nation of $512 for 10 years beginning in 2016. This amount increases to $1,537 (based on 2016 constant dollars) in 2026, and is adjusted annually by the Consumer Price Index every year thereafter.

Multi-year service contract commitments as follows:

2012-13	$ 8,716
2013-14	1,337
2014-15	1,234
2015-16	955
2016-17	518
Thereafter	4,184
Total	$ 16,944

(b) The department leases certain equipment under an operating lease that expires in 2013. The amount payable for the unexpired terms of this lease is as follows:

2012-13	$ 122

(c) Multi-year grant commitments as follows:

2012-13	$ 19,916
2013-14	16,500
Total	$ 36,416

Notes to the Financial Statements (in thousands)

Note 9
Contingent Liabilities

At March 31, 2012, the department is a defendant in 14 legal claims (2011 – 15 legal claims). Ten of these claims have specified amounts totalling $232,048 and the remaining four have no specified amount (2011 – 11 claims with specified amounts totalling $235,049 and the remaining four have no specified amount).

Included in the total legal claims is one claim in which the department has been named as the sole defendant (2011 – five legal claims). This claim has a specified amount totalling $46 (2011 – five claims with specified amounts totalling $21,538). There are 11 claims in which the department has been jointly named with other entities (2011 – 10 legal claims). Seven of these claims have specified amounts totalling $229,911 (2011 – six claims totalling $213,511) including one claim totalling $202,150, which is partially covered at 25 per cent by the Alberta Risk Management Fund (2011 – one claim totalling $202,150). The remaining four claims have no specified amount (2011 – four claims with no specified amount). Two claims amounting to $2,091 are fully covered by the Alberta Risk Management Fund (2011 – no claims).

The resulting loss, if any, from these claims cannot be determined.

Note 10
Trust Fund Under Administration

The department administers a trust fund that is a regulated fund consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the fund and administers it for the purpose of the trust, it is not included in the department's financial statements.

At March 31, 2012, the trust fund under administration is as follows:

	2012	2011
Environmental Protection Security Fund	$ 18,391	$ 14,800

In addition to the above trust fund under administration, the department holds bank guarantees in the form of letters of credit and promissory notes in the amount of $1,296,002 (2011 - $1,245,262). The majority of these guarantees are held to assure satisfactory reclamation of coal and oil sands operations, sand and gravel pits, landfills, hazardous waste management and hazardous recyclable facilities.

Notes to the Financial Statements (in thousands)

Note 11
Benefit Plans

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $9,814 for the year ended March 31, 2012 (2011 – $9,530). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – deficiency $397,087), the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 – deficiency $2,067,151) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $53,489 (2010 – deficiency $39,559).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9,136 (2011 – deficiency $4,141) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,454 (2011 – surplus $7,020). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 12
Restatement of Prior Years

Based on an Order in Council (O.C. 24/2012) dated January 20, 2012, the budgetary responsibility for the functional reporting of Cabinet Policy Committee on Resources and the Environment was transferred from the Department of Environment and Water to the Ministry of Tourism, Parks and Recreation (Section 19, subsection (3)). Ministry Support Services Program expenses for 2011 ($194) have been restated as if the department had never been assigned responsibility.

The method of funding the eligible initiatives from the lottery and gaming proceeds was changed during the year. Previously, they were funded directly from the Lottery Fund and were included in the department's revenues ($500). However, such proceeds are now deposited into the General Revenue Fund to finance the eligible initiatives. Financial statements for prior years have been restated as if the current arrangement had always existed. Schedule 6 provides a comparison of estimates and actual expenses for Lottery Fund initiatives.

Net Operating Results, as previously reported at March 31, 2011	$ (179,033)
Plus: Expenses transferred to Tourism, Parks and Recreation	194
Less: Revenues transferred to Finance	(500)
Net Operating Results, as restated at April 1, 2011	$ (179,339)

Notes to the Financial Statements (in thousands)

Note 13
Subsequent Events

On May 8, 2012, the government announced cabinet restructuring. As a result, the Department of Environment and Water was restructured. The Departments of Environment and Water and Sustainable Resource Development were consolidated and renamed the Department of Environment and Sustainable Resource Development.

Note 14
Comparative Figures

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

Note 15
Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule to Financial Statements

Revenues

Schedule 1

Year ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual (Restated)
		(in thousands)	
Internal Government Transfers			
Transfer from Environmental Protection and Enhancement Fund for Reclamation and Emergency Preparedness	$ 2,374	$ 803	$ 724
Transfers from Government of Canada			
Canada ecoTrust for Clean Air and Climate Change	51,078	34,411	24,767
Air Quality Health Index	-	200	-
	51,078	34,611	24,767
Premiums, Fees and Licences			
Land and Grazing	55	85	53
Reclamation Certificates	2,500	1,408	1,204
Water Power Rentals	650	1,126	706
Other	700	473	531
	3,905	3,092	2,494
Other Revenue			
Refunds of Expenditure	-	6,163	981
Water Resources	2,900	2,884	1,358
Other	390	256	267
	3,290	9,303	2,606
Total Revenues	$ 60,647	$ 47,809	$ 30,591

Schedule to Financial Statements

Credit or Recovery

Year ended March 31, 2012

Schedule 2

	2012		
	Authorized[2]	Actual	(Shortfall) / Excess
	(in thousands)		
Reclamation Certificate	$ 2,500	$ 1,362	$ (1,138)
Remediation Certificate	100	30	(70)
Water Management Infrastructure	2,900	2,549	(351)
Air Quality Health Index	200	200	-
	$ 5,700	$ 4,141	$ (1,559)[1]

(1) The credits or recoveries presented in this schedule are included in the department's Statement of Operations. Shortfall is deducted from current year's authorized budget, as disclosed in schedules 4 and 5 to the financial statements.

(2) The authorized budget for credits or recovery includes Adjustments appearing on Schedules 4 and 5. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*. Only expenditures are authorized.

The Reclamation Certificate credit or recovery initiative refers to the costs of conducting audits at sites that are certified under the upstream oil and gas reclamation program. Revenues are received through a reclamation certificate application fee.

The Remediation Certificate credit of recovery initiative refers to the costs of conducting site audits that are certified under Environment and Water's new Remediation Certificate Regulation. Revenues are received through a remediation site certificate application fee.

The Water Management Infrastructure credit of recovery initiative refers to the maintenance and upgrading of the provincial water management infrastructure system. Revenues are received through the Use of Works Agreements whereby developers pay an annual fee to the Government of Alberta.

The Air Quality Health Index credit or recovery initiative refers to the communication efforts that support the implementation of the national Air Quality Health Index in the province. Revenue is collected through an agreement with Health Canada as part of the federal Air Quality Health Index National Outreach Strategy.

Schedule to Financial Statements

Expenses - Directly Incurred Detailed by Object

Schedule 3

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual (Restated)
	(in thousands)		
Salaries, Wages and Employee Benefits	$ 98,591	$ 99,781	$ 97,531
Supplies and Services	48,057	42,750	42,883
Grants	52,371	36,740	49,004
Financial Transactions and Other	343	2,149	737
Amortization of Tangible Capital Assets	22,361	19,635	19,775
	$ 221,723	$ 201,055	$ 209,930

Schedule to Financial Statements

Budget
Year ended March 31, 2012

Schedule 4

	2011-12 Estimates*	Adjustment (a)	2011-12 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget
		(in thousands)			
Revenues					
Internal Government Transfers	$ 2,374	$ -	$ 2,374	$ -	$ 2,374
Transfers from Government of Canada	51,078	-	51,078	-	51,078
Premiums, Fees and Licences	3,905	-	3,905	-	3,905
Other Revenue	3,290	-	3,290	-	3,290
	60,647	-	60,647	-	60,647
Expenses - Directly Incurred					
Programs					
Ministry Support Services	18,428	-	18,428	-	18,428
Policy:					
Air, Land and Waste Policy	4,478	200	4,678	-	4,678
Climate Change	53,354	-	53,354	13,000	66,354
Clean Energy	7,018	-	7,018	-	7,018
Policy Innovation	1,500	-	1,500	-	1,500
Water Policy	8,469	-	8,469	-	8,469
Reclamation and Emergency Preparedness	2,374	-	2,374	-	2,374
Strategy:					
Relationships and Partnerships	4,601	-	4,601	-	4,601
Strategy and Analysis	3,606	-	3,606	-	3,606
Regional Planning	3,000	-	3,000	-	3,000
Operations:					
Resource Management	18,506	-	18,506	-	18,506
Approvals	26,800	-	26,800	-	26,800
Compliance and Enforcement	11,448	-	11,448	-	11,448
Water Operations	38,788	700	39,488	-	39,488
Emergency Response	1,308	-	1,308	-	1,308
Monitoring, Science and Reporting	16,957	-	16,957	-	16,957
Legal Settlement	1,088	-	1,088	-	1,088
Credit or Recovery Shortfall (Schedule 2)	-	(1,559)	(1,559)	-	(1,559)
	221,723	(659)	221,064	13,000	234,064
Net Operating Results	$ (161,076)	$ 659	$ (160,417)	$ (13,000)	$ (173,417)
Capital Investment	$ 1,344	$ -	$ 1,344	$ -	$ 1,344
Non-Budgetary Disbursements	$ 100	$ -	$ 100	$ -	$ 100

* Estimates of $135 included under Ministry Support Services program for Cabinet Policy Committee on Resources and the Environment were transferred from Environment and Water to Tourism, Parks and Recreation.

(a) Adjustment includes Credit or Recovery Shortfall. Other authorized adjustments include $200 for Air Quality Health Index approved on July 26, 2011, and $700 for Infrastructure Feasibility Study approved on May 18, 2011. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates of $13,000 were approved on December 1, 2011.

Schedule to Financial Statements

Comparison of Directly Incurred Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending

Schedule 5

Year ended March 31, 2012

	2011-12 Estimates*	Adjustments (a)	2011-12 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget	Amounts Not Required To Be Voted	2011-12 Authorized Spending	2011-12 Actual Expense	Unexpended (Over Expended)
					(in thousands)				
Expense and Capital Investments									
Ministry Support Services									
1.1 Minister's Office	$ 598	$ -	$ 598	$ -	$ 598	$ -	$ 598	$ 550	$ 48
1.3 Deputy Minister's Office	767	-	767	-	767	-	767	768	(1)
1.4 Communications	1,267	-	1,267	-	1,267	-	1,267	1,265	2
1.5 Legal Services	265	-	265	-	265	-	265	178	87
1.6 Corporate									
- Expense	15,531	-	15,531	-	15,531	(99)	15,432	23,499	(8,067)
- Capital Investment	385	-	385	-	385	-	385	300	85
TOTAL PROGRAM 1	$ 18,813	$ -	$ 18,813	$ -	$ 18,813	$ (99)	$ 18,714	$ 26,560	$ (7,846)
Policy									
2.1 Air, Land and Waste Policy	4,478	200	4,678	-	4,678	-	4,678	8,772	(4,094)
2.2 Climate Change	53,354	-	53,354	13,000	66,354	-	63,354	36,153	30,201
2.3 Clean Energy									
- Expense	7,018	-	7,018	-	7,018	-	7,018	4,922	2,096
- Capital Investment	-	-	-	-	-	-	-	153	(153)
2.4 Policy Innovation	1,500	-	1,500	-	1,500	-	1,500	783	717
2.5 Water Policy	8,469	-	8,469	-	8,469	-	8,469	4,257	4,212
TOTAL PROGRAM 2	$ 74,819	$ 200	$ 75,019	$ 13,000	$ 88,019	$ -	$ 88,019	$ 55,040	$ 32,979
Strategy									
3.1 Relationships and Partnerships	4,601	-	4,601	-	4,601	-	4,601	9,398	(4,797)
3.2 Strategy and Analysis	3,606	-	3,606	-	3,606	-	3,606	3,409	197
3.3 Regional Planning	3,000	-	3,000	-	3,000	-	3,000	2,718	282
TOTAL PROGRAM 3	$ 11,207	$ -	$ 11,207	$ -	$ 11,207	$ -	$ 11,207	$ 15,525	$ (4,318)
Operations									
4.1 Resource Management	18,506	-	18,506	-	18,506	-	18,506	14,673	3,833
4.2 Approvals	26,800	-	26,800	-	26,800	-	26,800	19,979	6,821
4.3 Compliance and Enforcement	11,448	-	11,448	-	11,448	-	11,448	11,827	(379)
4.4 Water Operations									
- Expense	38,788	700	39,488	-	39,488	(22,361)	17,127	17,241	(114)
- Capital Investment	-	-	-	-	-	-	-	12	(12)
4.5 Emergency Response	1,308	-	1,308	-	1,308	-	1,308	1,542	(234)
TOTAL PROGRAM 4	$ 96,850	$ 700	$ 97,550	$ -	$ 97,550	$ (22,361)	$ 75,189	$ 65,274	$ 9,915

* Estimates of $135 for Element 1.2 Cabinet Policy Committee on Resources and Environment of Program 1 Ministry Support Services were transferred from Environment and Water to Tourism, Parks and Recreation.

(a) Adjustments include credit or recovery shortfall. Other authorized adjustments include $200 for Air Quality Health Index approved on July 26, 2011, and $700 for Infrastructure Feasibility Study approved on May 18, 2011. Treasury Board and Enterprise approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates of $13,000 were approved on December 1, 2011.

Schedule to Financial Statements

Comparison of Directly Incurred Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending

Schedule 5 (continued)

Year ended March 31, 2012

	2011-12 Estimates*	Adjust-ments (a)	2011-12 Budget	Authorized Supple-mentary (b)	2011-12 Authorized Budget	Amounts Not Required To Be Voted	2011-12 Authorized Spending	2011-12 Actual Expense	Unexpended (Over Expended)
					(in thousands)				
Expense and Capital Investments									
Monitoring and Science									
5 Monitoring, Science and Reporting									
- Expense	$ 16,957	$ -	$ 16,957	$ -	$ 16,957	$ -	$ 16,957	$ 16,845	$ 112
- Capital Investment	959	-	959	-	959	-	959	401	558
TOTAL PROGRAM 5	$ 17,916	$ -	$ 17,916	$ -	$ 17,916	$ -	$ 17,916	$ 17,246	$ 670
6 Legal Settlement	1,088	-	1,088	-	1,088	(1,088)	-	-	-
TOTAL PROGRAM 6	$ 1,088	$ -	$ 1,088	$ -	$ 1,088	$ (1,088)	$ -	$ -	$ -
Reclamation and Emergency Preparedness	2,374	-	2,374	-	2,374	(2,374)	-	-	-
Credit or Recovery (Shortfall) (Schedule 2)	-	(1,559)	(1,559)	-	(1,559)	-	(1,559)	-	(1,559)
	$ 2,374	$(1,559)	$ 815	$ -	$ 815	$ (2,374)	$ (1,559)	$ -	$ (1,559)
Expense	$ 221,723	$(659)	$221,064	$ 13,000	$ 234,064	$ (25,922)	$ 208,142	$178,779	$ 29,363
Capital Investment	1,344	-	1,344	-	1,344	-	1,344	866	478
	$ 223,067	$ (659)	$222,408	$ 13,000	$ 235,408	$ (25,922)	$ 209,486	$179,645	$ 29,841
Non-Budgetary Disbursements									
Approvals	$ 100	$ -	$ 100	$ -	$ 100	$ -	$ 100	$ -	$ 100

* Estimates of $135 for Element 1.2 Cabinet Policy Committee on Resources and Environment of Program 1 Ministry Support Services were transferred from Environment and Water to Tourism, Parks and Recreation.

(a) Adjustments include credit or recovery shortfall. Other authorized adjustments include $200 for Air Quality Health Index approved on July 26, 2011, and $700 for Infrastructure Feasibility Study approved on May 18, 2011. Treasury Board and Enterprise approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates of $13,000 were approved on December 1, 2011.

Schedule to Financial Statements

Lottery Fund Estimates

Schedule 6

Year ended March 31, 2012

	2011-12 Lottery Fund Estimates	2011-12 Actual	Unexpended (Over Expended)
	(in thousands)		
Resource Management	$ 500	$ 500	$ -

The revenue of the Lottery Fund is transferred to the Department of Finance on behalf of the General Revenue Fund. Having been transferred to the General Revenue Fund, these monies then become part of the department's supply vote. This table shows details of the initiatives within the department that are funded by the Lottery Fund and compares it to the actual results.

Schedule to Financial Statements

Salary and Benefits Disclosure

Schedule 7

Year ended March 31, 2012

	2012				2011
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
			(in thousands)		
Deputy Minister[4] [5]	$ 268,341	$ 1,250	$ 75,443	$ 345,034	$ 330,231
Assistant Deputy Ministers					
Policy[6]	175,257	1,250	48,054	224,561	211,267
Strategy	185,472	1,250	49,525	236,247	231,135
Operations	178,130	1,250	48,904	228,284	206,705
Monitoring and Science	169,389	1,250	48,286	218,925	31,694
Corporate[8]	176,890	1,250	47,715	225,855	213,996
Executive Directors					
Finance and Administration Division[7]	-	-	-	-	189,150
People and Learning[7]	-	-	-	-	185,146
Corporate Performance[7]	-	-	-	-	190,692
Information Management and Technology[7]	-	-	-	-	188,669

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2012.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short- and long-term disability plans, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) The position was occupied by two individuals during the year.

(6) The previous incumbent became the deputy minister in October 2011. The current incumbent was in an acting capacity during November 2011 and became assistant deputy minister effective January 2012.

(7) A revised department executive team was announced in October 2011, as a result the executive director positions are no longer part of the executive team.

(8) The Assistant Deputy Minister of Corporate division became vacant in November 2011. The current incumbent is in an acting capacity.

Schedule to Financial Statements

Related Party Transactions

Schedule 8

Year Ended March 31, 2012
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2012	2011 (Restated)
Revenue		
Internal Government Transfers	$ 803	$ 724
	$ 803	$ 724
Expenses - Directly Incurred		
Grants	$ 11,000	$ 10,650
Other Services	3,773	3,141
	$ 14,773	$ 13,791
Tangible Capital Assets Transferred In	$ 2,275	$ 2,310
Payable to	$ 426	$ 648
Receivable from	$ 351	$ 488
Contractual Obligations	$ 41	$ 113

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 9.

	Other Entities	
	2012	2011
Expenses - Incurred by Others		
Accommodation	$ 9,849	$ 9,358
Legal	2,089	2,122
Water Management Infrastructure Maintenance	6,022	5,734
Other Services	243	253
Service Alberta	4,071	3,646
	$ 22,274	$ 21,113

Schedule to Financial Statements

Allocated Costs

Schedule 9

Year ended March 31, 2012

(in thousands)

	2012						2011
		Expenses - Incurred by Others					
Program	Expenses[1]	Accommodation Costs[2]	Legal Services[3]	Water Management Infrastructure Maintenance	Other Services[4] and Service Alberta	Total Expenses	Total Expenses (Restated)
Ministry Support Services	$ 26,224	$ 1,553	$ 236	$ -	$ 4,314	$ 32,327	$ 32,417
Air, Land and Waste Policy	8,739	540	18	-	-	9,297	8,225
Climate Change	36,083	132	220	-	-	36,435	36,128
Clean Energy	5,012	308	29	-	-	5,349	5,505
Policy Innovation	881	110	6	-	-	997	1,500
Water Policy	4,389	264	35	-	-	4,688	9,338
Reclamation and Emergency Preparedness	803	-	-	-	-	803	724
Relationships and Partnerships	9,420	463	34	-	-	9,917	6,171
Strategy and Analysis	3,523	264	27	-	-	3,814	5,108
Regional Planning	2,873	121	22	-	-	3,016	3,000
Resource Management	14,346	1,014	274	-	-	15,634	18,523
Approvals	20,059	1,774	397	-	-	22,230	22,928
Compliance and Enforcement	11,805	1,102	169	-	-	13,076	12,700
Water Operations	37,078	1,113	575	6,022	-	44,788	42,564
Emergency Response	1,583	99	19	-	-	1,701	1,447
Monitoring, Science and Reporting	17,149	992	28	-	-	18,169	15,226
Legal Settlement	1,088	-	-	-	-	1,088	9,539
	$ 201,055	$ 9,849	$ 2,089	$ 6,022	$ 4,314	$ 223,329	$ 231,043

(1) Expenses – Directly incurred as per Statement of Operations.

(2) Costs shown for accommodation on Schedule 8, allocated by budgeted Full-Time Equivalent Employment.

(3) Costs shown for Legal Services on Schedule 8, allocated by estimated costs by each program.

(4) Costs shown for Other Services on Schedule 8 include charges for Air Transportation Services, Government of Alberta Learning Centre and Corporate Internal Audit Services.

Climate Change and Emissions Management Fund

Financial Statements

Year Ended March 31, 2012

Independent Auditors Report

To the Minister of Environment and Sustainable Resource Development

Report on the Financial Statements

I have audited the accompanying financial statements of Climate Change and Emissions Management Fund, which comprise the statement of financial position as at March 31, 2012, and the statement of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Climate Change and Emissions Management Fund as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by
Merwan N. Saher, FCA
Auditor General
June 6, 2012
Edmonton, Alberta

Statement of Operations

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
		(in thousands)	
Revenues (Note 2(b))			
Facility Purchases of Fund Units by Sector			
Mining, Oil and Gas Extraction	$ 37,000	$ 32,546	$ 41,074
Utilities	22,000	10,452	25,065
Manufacturing	6,000	3,004	6,561
Transportation and Warehousing	3,000	4,768	3,076
Investment Income	-	402	365
	68,000	51,172	76,141
Expenses (Note 2(b))			
Administration	1,000	1,086	1,026
Grant to the Climate Change and Emissions Management Corporation	67,000	50,086	75,115
	68,000	51,172	76,141
Net Operating Results	$ -	$ -	$ -

The accompanying notes and schedule are part of these financial statements.

Statement of Financial Position

As at March 31, 2012

	2012	2011
	(in thousands)	
Assets		
Cash (Note 3)	$ 53,914	$ 68,867
Accounts Receivable (Note 4)	15,473	22,326
	$ 69,387	$ 91,193
Liabilities		
Accounts Payable and Accrued Liabilities	$ 69,387	$ 91,193
	69,387	91,193
Net Assets		
Net Assets at Beginning of Year	-	-
Net Operating Results	-	-
Net Assets at End of Year	-	-
	$ 69,387	$ 91,193

Contractual obligations (Note 5)

The accompanying notes and schedule are part of these financial statements.

Statement of Cash Flows

Year ended March 31, 2012

	2012	2011
	(in thousands)	
Operating Transactions		
Net Operating Results	$ -	$ -
Decrease in Accounts Receivable	6,853	10,646
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(21,806)	12,334
Cash Provided by (Applied to) Operating Transactions	(14,953)	22,980
Increase (Decrease) in Cash	(14,953)	22,980
Cash, Beginning of Year	68,867	45,887
Cash, End of Year	$ 53,914	$ 68,867

The accompanying notes and schedule are part of these financial statements.

Notes to the Consolidated Financial Statements (in thousands)

Note 1
Authority and Purpose

The Climate Change and Emissions Management Fund operates under the authority of the *Climate Change and Emissions Management Act*, Chapter C-16.7.

The fund may be used only for purposes related to reducing emissions of specified gases or improving Alberta's ability to adapt to climate change.

The fund operates as follows:

- Revenues in the fund are primarily from purchases of fund units ($15 per tonne) used in meeting net emissions intensity limits. Facilities can also make improvements to their operations, purchase Alberta-based offsets or use emission performance credits. Emissions intensity is the ratio of greenhouse gas emissions to facilities' production for the period.
- Emissions measurement involves the use of different methodologies including estimation techniques and use of emission factors. Such techniques can involve using equipment with varying degrees of precision. Use of different techniques and emission factors will produce different results.
- Management has provided guidance to facilities and verifiers for the calculation and verification of emissions intensity. Every facility submitting a compliance report is required to have a third party verify the report at a limited level of assurance. In a limited level of assurance engagement, verifiers perform procedures with the objective of assessing whether the information reported by facilities is plausible within the framework of the guidance provided by management.

The systems and processes including the offsets purchased by facilities are new and complex. Management believes that as the system evolves and more guidance is developed, the calculation of emissions intensity will be refined through improved methodologies and data quality.

Management's guidance to the tillage offset verifiers allows the verifiers to rely on the offset project developers' written attestations and records as evidence that the offsets are valid. Management has revised its guidance to require verifiers to collect sufficient evidence to support claims for tillage offsets, beginning with the 2012 compliance period.

Notes to the Consolidated Financial Statements (in thousands)

Note 2
Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Climate Change and Emissions Management Fund for which the Minister of Environment and Water is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

i) Facility Purchases of Fund Units

These revenues are measured from amounts assessed by management and from estimates of amounts not yet assessed based on cash received from facilities that relates to compliance period ended December 31. Revenues also include adjustments between the revenue estimates for previous years and actual amounts. Revenues do not include an estimate of adjustments to amounts not yet assessed because it cannot be reliably determined.

Management has adopted a regulatory threshold on emissions and production reported per facility when calculating emissions intensity. This threshold requires facilities to correct and re-verify submissions where errors exceed the threshold. Management can require errors below the threshold to be corrected. Uncorrected errors below the threshold have not been quantified.

ii) Completeness of Revenues from Facility Purchases of Fund Units

Facilities submitting compliance reports are expected to understand and comply with the relevant legislation. This has an impact on the completeness of revenue when facilities do not fully meet the legislative requirements and, for example, report inaccurate or incomplete emissions or production data. Management has implemented systems and processes to detect and correct situations where facilities have not complied with the legislation. These systems and controls, based on areas of highest risk, include performing verifications of facility and offset project records. Management does not estimate the effect of misreported revenue.

Notes to the Consolidated Financial Statements (in thousands)

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(b) Basis of Financial Reporting (continued)

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported.

The Revenues from Facility Purchases of Fund Units and accounts receivable in these financial statements are subject to measurement uncertainty because methodologies including estimation techniques and emission factors are used in emissions measurement.

Revenues not yet assessed by management and the related accounts receivable are recorded based on cash received from facilities.

Revenues and accounts receivable also include an estimate of $13,828 for the amounts owing for the period January 1 to March 31, 2012 (2011 - $18,371). Management estimated this amount as 25 per cent of revenues for the 2011 compliance period. Actual results could vary by a material amount.

Expenses

Expenses are those costs the Climate Change and Emissions Management Fund has primary responsibility and accountability for, as reflected in the Government's budget documents.

Grants are recognized as expenses when authorized, eligibility criteria are met and a reasonable estimate of the amount can be made.

Expenses include $1,086 for re-verification costs (2011 - $1,026) and a grant payment of $50,086 (2011 - $75,115) made to the Climate Change and Emissions Management Corporation. Other administrative costs are paid for by the Department of Environment and Water.

Assets

Financial assets of the Climate Change and Emissions Management Fund are comprised of cash and accounts receivable.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to fiscal year end. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Notes to the Consolidated Financial Statements (in thousands)

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(b) Basis of Financial Reporting (continued)

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Climate Change and Emissions Management Fund and its liabilities.

Canadian Public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The fund operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, and accounts receivable, are estimated to approximate their carrying values because of the short term nature of these instruments.

Note 3
Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund, which is managed by the Government of Alberta to provide competitive interest income while maintaining maximum security and liquidity.

Note 4
Accounts Receivable

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Facility Purchases of Fund Units by Sector				
Mining, Oil and Gas Extraction	$ 10,105	$ -	$ 10,105	$ 13,502
Utilities	3,337	-	3,337	6,233
Manufacturing	910	-	910	1,753
Transportation and Warehousing	1,121	-	1,121	838
	$ 15,473	$ -	$ 15,473	$ 22,326

Accounts receivable are unsecured and non-interest bearing.

Notes to the Consolidated Financial Statements (in thousands)

Note 5
Contractual Obligations

The Climate Change and Emissions Management Fund has a contractual grant obligation to the Climate Change and Emissions Management Corporation until September 1, 2014. The annual grant amount is equal to the revenues from Facility Purchases of Fund Units for the calendar year compliance period adjusted for accumulated interest, changes to amounts assessed and the cost of verifications initiated by management.

Note 6
Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule to Financial Statements

Related Party Transactions

Schedule 1

Year Ended March 31, 2012
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Climate Change and Emissions Management Fund.

The fund paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this Schedule.

The fund had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2012	2011
Payable to	$ 360	$ -

Legislative amendments included:

Environment and Water is currently reviewing all regulations and related instruments such as Codes of Practice under the *Environmental Protection and Enhancement Act* to make them more outcomes-focused, flexible and supportive of Government of Alberta policy directions. The department extended the expiry date of the following six *Environmental Protection and Enhancement Act* regulations to June 30, 2013, as part of the review:

- Administrative Penalty Regulation
- Conservation and Reclamation Regulation
- Lubricating Oil Material Recycling and Management Regulation
- Paint and Paint Container Regulation
- Activities Designation Regulation
- Potable Water Regulation

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